

energywatch super-complaint + 10: The Lost Decade

Consumer Experience of Energy Billing Issues 2005–2015

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June 2015



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About us

Citizens Advice Service in England, Wales and Scotland

The Citizens Advice Service provides free, confidential and impartial advice to help people resolve their problems. As the UK's largest advice provider, the Citizens Advice Service is equipped to deal with any issue, from anyone, spanning debt and employment to housing and immigration plus everything in between. We value diversity, promote equality and challenge discrimination.

The Service aims:

- to provide the advice people need for the problems they face
- to improve the policies and practices that affect people's lives.

Citizens Advice Bureaux (CAB) deliver advice services from over 3,500 community locations in England and Wales, run by 382 independent registered charities. Citizens Advice itself is also a registered charity, as well as being the membership organisation for these 382 member bureaux.

Citizens Advice Scotland, its 61 member bureaux, consumer helpline and Extra Help Unit form Scotland's largest independent advice network. CAB advice services are delivered using over 250 service points throughout Scotland, from the islands to city centres, and through our helplines. Together, the Citizens Advice Service in Scotland helped 300,000 people with nearly 1 million issues in 2013/14.

Consumer Futures transferred to Citizens Advice and Citizens Advice Scotland in April 2014 as part of the UK Government's consumer landscape changes, and is a GB-wide service.

Citizens Advice and Citizens Advice Scotland represent consumers across essential regulated markets. We are the statutory consumer advocate for energy and postal services in Great Britain and for water in Scotland. We use compelling evidence and expert analysis to put consumer interests at the heart of policy-making and market behaviour. We have a number of responsibilities, including unique powers to require private and public bodies to disclose information.

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Consumer Experience of Energy Billing Issues 2005–2015

We tackle issues that matter to consumers, working with people and a range of different organisations to champion creative solutions that make a difference to consumers' lives.

About this report

Given the importance of energy billing, both for individual consumers and because of the wider impacts on the sector, Citizens Advice undertook this research to better understand how the position had changed since 2005. The overall aims of this report are, therefore, to take a 10-year view of billing and associated issues and to:

- review the issues that have been raised in the past
- assess the extent to which progress has, or has not, been made against these issues over the last decade
- identify the changes and improvements needed in using the current systems
- identify changes needed to ensure that smart meters deliver accurate, understandable bills.

The report draws mainly on published literature and information that is already publicly available. We have supplemented these sources, with an information request to energy suppliers and with omnibus research, particularly around consumer views of billing issues. Our findings are summarised below.

Executive summary

Average energy prices for consumers have risen, at rates considerably above inflation and growth in household incomes, over the last decade.¹ As a result, public and political concern about the affordability of energy has also increased.

The Citizens Advice Service's work on energy ranges from the provision of direct advice to consumers, to longer term policy and advocacy work on a wide range of specific issues. Policy work includes, for example, campaigning to improve the services provided to consumers using prepayment meters (PPMs), ensuring that everyone has access to appropriate energy efficiency advice and services, and advocacy work to ensure that the roll-out of smart meters brings the promised benefits to consumers in practice.

However, we recognise that any actions on the part of consumers to reduce their energy costs may depend on trust in the sector, and surveys show consistently that levels of trust remain at very low levels. While lack of trust is a complex issue that requires a response across the industry², clarity of bills and reliable billing processes are fundamental building blocks. Not least because they represent the central function of energy suppliers, and the main means through which they communicate with their customers.

The energywatch super-complaint

Concern about billing issues in the energy sector is not new. On 31 March 2005, energywatch, then the statutory watchdog for the energy sector, submitted a super-complaint³ on the subject of billing. The super-complaint was prompted by energywatch's direct experience of many similar concerns raised by different consumers, a situation which suggested systemic failings across the energy supply industry. The most important of these failings were lack of understanding of bills, problems with estimated bills and associated problems with customer service processes.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/368069/table_211_and_212.xls

² Ofgem's consumer panel has explored what trust means in practice in the energy sector. The paper also highlights the results of lack of trust in terms of consumer behaviour: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-consumer-first-panel-year-6-second-workshops-consumer-engagement-and-trust-energy-market-retail-market-review-reforms>

³ A super-complaint is defined in the UK Enterprise Act 2002 as a complaint submitted by a designated consumer body that "any feature, or combination of features, of a market in the UK for goods or services is or appears to be significantly harming the interests of consumers."

The impacts on consumers of these issues, identified by energywatch, fell into two categories:

- Firstly, and most obviously, there were direct impacts on affected consumers. These were most significant in circumstances when vulnerable consumers received large bills that left them with significant debts and associated social impacts.
- Secondly, energywatch highlighted wider issues. Lack of understanding of bills, and of trust in billing processes, undermined the longer term aims of both encouraging a competitive energy market through switching, and of supporting consumers to take action to reduce their bills through energy efficiency.

Ofgem's response to the super-complaint, also published in 2005, was that while individual problems did exist, they were the exception rather than the rule. It believed the problems could be addressed through a combination of improved supplier performance together with some substantive changes, most notably limits on back-billing and the introduction of the (then voluntary) Energy Ombudsman, which is now known as Ombudsman Services: Energy.

Changes to bills since 2005

The existence of wider impacts on the market, although initially questioned in the response to the super-complaint, was subsequently recognised by Ofgem during the Energy Supply Probe process (2008–2009). As a result of the Energy Supply Probe, and of the subsequent Retail Market Review (RMR) (2010–2013), Ofgem introduced a number of changes to energy bills, and separately required the production of an annual statement for all energy consumers.

Individual changes to bills have helped clarify the information available to energy consumers and were welcomed by consumer bodies as a result. However, a wider impact of the changes, in aggregate, has been that the range and depth of information required in energy bills has increased considerably, meaning that bills themselves are now much longer and contain more information than was the case in the past.

A central aim of Ofgem's changes was to improve information available to energy consumers in order to encourage greater participation in the market. This has not occurred in practice. Switching rates between suppliers has generally declined over time, with an exceptional spike in late 2013 when media and political interest in energy issues was very high.⁴

There have been wider changes in energy use since the 2005 super-complaint – most notably a rise in energy costs considerably above inflation, but also changes in consumption patterns and payment methods. Rising prices, in particular, influence consumers' reported levels of trust in the sector as well as satisfaction levels, which may have an influence on consumers' willingness to make a complaint.

At the same time, new voluntary codes of practice have been introduced by the suppliers themselves. Ofgem has also introduced Standards of Conduct to which companies are expected to adhere. However, the levels of direct complaints reported by energy suppliers since the start of 2013 have been consistently at levels of up to 20 per cent of all domestic households each year.⁵

Although detailed demographic data on the impact of billing problems is limited⁶, that which is available suggests strongly that consumers who are already disadvantaged in other ways – for example, because of income or poor literacy or numeracy skills – are those most likely also to be disadvantaged by poor billing practices. Our survey work, as part of this research, backs up this finding.

Future changes:

Smart meter roll-out

Smart meters will be rolled out from 2016 through to 2020; the central benefits for consumers are promoted as the end to estimated bills and clearer, near real-time information on energy use and costs in pounds and pence.

The Citizens Advice Service supports the smart meter rollout as a means to help consumers take control of their energy use. While welcoming these benefits, we consider that their delivery is conditional as much on suppliers' billing systems as on the technical challenges of the smart meter roll-out.

⁴ There has also been a recent increase in switching levels in 2015, which appears to be linked to the Department of Energy and Climate Change's (DECC's) Power to Switch campaign: <https://www.gov.uk/government/news/switch-to-save-27-billion-up-for-grabs-by-switching-energy-supplier>

⁵ For detail, see Section 6.

⁶ The main source of this information is Ofgem's report on energy company complaints handling, discussed in Section 5: <https://www.ofgem.gov.uk/publications-and-updates/complaints-energy-companies-research-report-2014>

Recent experience of migration of billing systems among four of the six largest suppliers creates particular concerns in this respect.

We present evidence in this report which suggests that more attention on supplier billing practices is needed to ensure that the promised benefits of smart meters – including access to new dynamic tariffs in the longer term, as well as more immediate improvements – are delivered in practice.

Recommendations

1. Complaints handling

Findings

Ten years after the energywatch super-complaint, it is clear that complaints about energy billing and associated processes remain the largest single source of complaints, and, for at least some companies, constitute more than half of all complaints⁷. While the pattern has varied between different suppliers since the beginning of 2013, when the data was first published, overall complaint levels across the industry have not changed significantly.

Further, it seems from the information available on the detail of complaints that the individual complaints are – as was the case in 2005 – the result of companies failing to meet the standards set out in the (current) Energy UK Code of Practice for Accurate Bills.⁸ Complaints are not the result of the standards themselves being unclear.

As mentioned in the previous section, this research has found that up to 20 per cent of all GB households register a complaint against their energy supplier each year. Further, we have estimated the annual cost to suppliers of handling billing complaints alone – conservatively – at £111–£125m each year⁹. As highlighted by energywatch in 2005, complaints at these levels suggest systemic failings across the industry.

We accept that the assumptions made mean that these complaint figures may be somewhat greater or fewer than the true number. We also accept that both Ofgem data, and our own experience, demonstrate that there are significant differences in company performance in relation to complaints and customer service.

However, from the perspective of consumers, the exact financial costs are not the critical issue. While a significant amount in absolute terms, the financial figures involved are relatively small in comparison with the energy sector as a whole, and the trend data on complaints demonstrates clearly

⁷ Includes direct complaints to suppliers, Ombudsman Services: Energy cases and contacts made to the Citizens Advice consumer service.

⁸ <http://www.energy-uk.org.uk/customers/energy-industry-codes/code-of-practice-for-accurate-bills.html>

⁹ See Section 6.

that neither the commercial cost of complaints handling, nor any associated reputational risk, is providing sufficient commercial incentive for companies to take action.

Recommendation

Ofgem should, firstly, understand why competitive and regulatory pressures within the supply licence have not delivered a reduction in billing complaints. It should also seek to establish the scale of the detriment to consumers. The introduction of an ombudsman function was a key outcome of the super-complaint and Ofgem's review should further examine the impact the redress backstop has had on driving improvements in supplier performance¹⁰. Dependent on the findings of the review, possible next steps could lead to the introduction of sharper incentives for suppliers to ensure measurable improvements in billing performance and the associated customer service performance are delivered.

2. Bill simplification

Findings

Individually, many of the changes to bills introduced as a result of Ofgem's Retail Energy Probe and subsequent RMR were welcomed by consumer representative groups. Indeed it was surprising that some changes – such as requiring suppliers to provide the name of the consumer's current tariff on each bill – required regulation in the first place, given the essential nature of this information.

However, in aggregate, changes have resulted in both increasing complexity and increasing volume of information on bills, without any observable gains in consumer engagement as measured by switching rates between suppliers. Although there is limited trend data, there is some early evidence that growing numbers of consumers are changing tariff with their existing supplier.¹¹

It therefore seems appropriate to revisit the range and presentation of information to consumers. In particular, we consider that there are cases both for bill simplification and for greater differentiation between bills and annual statements.

¹⁰ Ofgem announced a review of Ombudsman Services: Energy on 21 May 2015: <https://www.ofgem.gov.uk/publications-and-updates/energy-ombudsman-review-1>

¹¹ <https://www.ofgem.gov.uk/publications-and-updates/domestic-retail-market-review-%E2%80%93-evaluation-framework-and-baseline-results>

Recommendation

Ofgem, in collaboration with the Consumer Bills and Communications Roundtable Group (CBCRG) created by Ofgem to advise it, should develop and conduct a research programme to investigate consumer views on the range and presentation of information in bills and annual statements. Specifically, research should draw on and extend previous work carried out as part of the Energy Supply Probe and RMR, and should start from the position of asking consumers what information they *want* presented at different times and in different formats. Research should also be open to the idea that different groups of consumers may want a different balance of content, given research findings on the extent to which consumers access digital as opposed to print information.

3. Smart meters

Citizens Advice recognises that the introduction of smart meters presents opportunities to bring significant benefits to consumers, including the increasing proportion of consumers who use PPMs.

However, the delivery in practice of the central and immediate benefits on which smart meters are being promoted to consumers – elimination of estimated bills and provision of real-time information on energy use and costs in pounds and pence – depends absolutely on robust energy supplier billing systems. Omnibus survey work carried out as part of this research shows that a clear majority of consumers would be dissatisfied were they to continue to receive estimated bills after the installation of smart meters in their homes.

This research has shown that billing systems and processes are, clearly, far from meeting this standard at present. We consider there to be a significant risk that poor or poorly integrated billing systems may undermine consumers' views of smart meters, and by extension make the roll-out more difficult, more expensive and less comprehensive than might otherwise be the case. If the smart meter roll-out is seen as failing to deliver even its core early promises, then consumer confidence in the roll-out can be expected to drop significantly.

Recommendation

In addition to the measures proposed under Recommendation 1, above, consumers using smart meters should be given additional protection from poor billing practices. In line with the benefits of smart metering, the best way to achieve this – and to provide further incentives to companies to get the process right and ensure accuracy – is to limit back-billing to one billing cycle for consumers who have had smart meters installed. Ofgem’s own research¹² shows that poor back-billing practices are a significant concern for consumers. Correspondingly, the same research shows that the elimination of estimated bills, which leads to a significant improvement in back-billing, is currently seen by consumers as the single biggest benefit of smart meter roll-out.

¹² <https://www.ofgem.gov.uk/publications-and-updates/ofgem-consumer-first-panel-year-6-wave-3-smart-billing>

Introduction

Average energy prices for consumers have risen, at rates considerably above inflation and growth in household incomes, over the last decade.¹³ As a result, public and political concern about the affordability of energy has also increased.

The Citizens Advice Service has recently published *Taking Control*¹⁴, which provides an overview of the issues facing energy consumers. The report highlights different ways in which consumers could take charge of their energy bill by using less, wasting less and paying less.

In many cases, the report highlights actions needed by Government. These include, for example, making sure that clear benefits are delivered from the current competition investigation to ensure energy is produced and delivered as cost-effectively as possible, as well as the need for a new fuel poverty programme that overhauls the British housing stock to make it fit for the 21st century.

At the same time, the report recognises the need for services to consumers to be delivered in ways that give them greater control of their energy supplies. Our ongoing campaign to improve the experience of consumers using PPMs, Fair play for prepay¹⁵, and the roll-out of smart meters, due to take place from 2015 to 2020, could help further this aim.

While our policy and campaigning work addresses all of these areas, we recognise that giving consumers greater control is conditional on increasing their levels of trust in the energy sector.¹⁶ Without trust, the credibility of messages and programmes intended to help consumers is undermined. As a result, the resources used in those programmes are wasted and households pay more for their energy than is necessary.

¹³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/368069/table_211_and_212.xls

¹⁴ http://www.citizensadvice.org.uk/index/policy/policy_publications/energy_policy_and_the_potential_for_energy_consumers_to_take_control_of_their_bills.htm

¹⁵ http://www.citizensadvice.org.uk/index/campaigns/current_campaigns/fairprepay.htm

¹⁶ Ofgem's consumer panel has explored what trust means in practice in the energy sector. The paper also highlights the results of lack of trust in terms of consumer behaviour: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-consumer-first-panel-year-6-second-workshops-consumer-engagement-and-trust-energy-market-retail-market-review-reforms>

The importance of clear and reliable billing processes

While all elements of the energy industry are important to consumers, clarity of billing information and associated processes are the aspects most visible to them. Billing and metering services are the primary activities of energy suppliers and the main communication between companies and consumers – but these services can and do vary greatly, while the quality of gas and electricity used remains the same.

The Citizens Advice Service considers that clear bills and reliable procedures around billing are a fundamental part of restoring trust in the energy sector. Bills should provide easily accessible information for consumers on the energy they have used and its costs. Further, the information on bills should also be sufficient to enable consumers to take action on switching and/or energy efficiency.

Conversely, bills and processes that provide incorrect information, or information in ways not accessible to consumers, undermine both consumers' trust in the wider market and their ability to take control of energy costs as a result.

Improved billing processes, most notably an end to estimated bills, are also being promoted as the main immediate benefits for consumers from the roll-out of smart meters. Smart meters will also provide greater near real-time information for consumers on energy use and costs, in pounds and pence as well as kilowatt hours, through the use of In Home Displays (IHDs). Smart meters will also, in the longer term, enable access to new tariffs. Clear and reliable billing processes are essential to ensure these theoretical benefits are delivered in practice.

Historical perspective on billing issues

Concern about billing issues in the energy sector is not new. On 31 March 2005, energywatch, then the statutory watchdog for the energy sector, submitted a super-complaint¹⁷ on the subject of billing. The super-complaint was prompted by energywatch's direct experience of many similar concerns raised by different consumers, a situation which suggested systemic failings across the energy supply industry. The most important of these failings were lack of understanding of bills, problems with estimated bills and associated problems with customer service processes.

¹⁷ A super-complaint is defined in the UK Enterprise Act 2002 as a complaint submitted by a designated consumer body that "any feature, or combination of features, of a market in the UK for goods or services is or appears to be significantly harming the interests of consumers."

The impacts on consumers of these issues, identified by energywatch, fell into two categories:

- Firstly, and most obviously, there were direct impacts on affected consumers. These were most significant in circumstances when vulnerable consumers received large bills that left them with significant debts and associated social impacts.
- Secondly, energywatch highlighted wider issues. Lack of understanding of bills, and of trust in billing processes, undermined the longer term aims of both encouraging a competitive energy market through switching, and of supporting consumers to take action to reduce their bills through energy efficiency.

The focus of this report

As outlined above, the Citizens Advice Service recognises that there have been many changes in the energy sector in the years since the super-complaint.

The most obvious of these has been the increase in energy prices at rates considerably above inflation and growth in household incomes over the last decade.¹⁸ As a result, energy costs remain a key concern for consumers. The need for investment in energy infrastructure will put further pressure on energy prices.

Despite increasing consumer concern about energy costs, a wide range of sources recognise¹⁹ that significant minorities of consumers – in many cases those already struggling to pay for their energy – remain disengaged from the current energy market.²⁰

While changing definitions and collection techniques makes it difficult to show a clear pattern across the last decade, recent data shows that billing remains the single biggest source of complaints for energy consumers, while satisfaction with complaints handling is low.

The Citizens Advice Service also recognises that any actions on the part of consumers to reduce their energy costs depend on trust in the sector, and surveys show consistently that levels of trust remain at very low

¹⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/368069/table_211_and_212.xls

¹⁹ For example, Ofgem's 2014 state of the market assessment: <https://www.ofgem.gov.uk/publications-and-updates/state-market-assessment>

²⁰ In the Retail Market Review baseline survey (July 2014), consumers are segmented into different groups, depending on their attitude to switching. The groups are unplugged, on standby, tuned in and switched on, with the latter most likely to have switched supplier: <https://www.ofgem.gov.uk/publications-and-updates/domestic-retail-market-review-%E2%80%93-evaluation-framework-and-baseline-results>

levels. While lack of trust is a complex issue which requires a response across the industry²¹, clarity of bills and reliable billing processes are fundamental building blocks, not least because they represent the central function of energy suppliers, and the main means through which they communicate with their customers.

In summary, billing has long been an area of concern for energy consumer representative bodies. The need to improve billing services in the short term, and restore trust and ensure successful delivery of smart meters in the longer term, means that further work on this area is now needed. The overall aims of this report are, therefore, to take a long-term view of billing and associated issues and to:

- review the issues which have been raised in the past
- assess the extent to which progress has, or has not, been made against these issues over the last decade
- identify changes and improvements needed in using the current systems
- identify changes needed to ensure that smart meters deliver accurate, understandable bills.

The following sections:

1. define what is and is not included under the heading of ‘bills and billing issues’
2. summarise both the issues raised around billing by energywatch in 2005 and Ofgem’s response at that time
3. consider the relevant changes that have taken place in the energy sector since 2005
4. review changes to bills and consumer information made as a result of intervention by Ofgem, especially those introduced as a result of the Energy Supply Probe and the Retail Market Review (RMR)
5. assess trends in the content of energy bills and consumers’ understanding of bills

²¹ Ofgem’s consumer panel has explored what trust means in practice in the energy sector. The paper also highlights the results of lack of trust in terms of consumer behaviour: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-consumer-first-panel-year-6-second-workshops-consumer-engagement-and-trust-energy-market-retail-market-review-reforms>

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6. present, as far as possible, the current position in relation to energy supplier complaints, and estimate the cost to suppliers of current energy billing complaints
7. discuss issues of trust in relation to the energy sector, and in the implications for energy billing in particular
8. discuss future billing issues in the context of the roll-out of smart meters, in particular the likely impacts on billing complexity as a result of the introduction of new tariffs
9. present a summary of findings and recommendations.

1. Defining the boundaries of 'bills and billing'

It can be difficult to set out clearly what is or is not included in discussions about billing, and the Citizens Advice Service appreciates that the views of consumers and stakeholders may vary.

This report is concerned with the generation and presentation of billing information, which enables consumers to understand their options and take action. Therefore the issues within the scope of the report include the following:

- Ease of understanding of bills and other key energy company communications, in turn relating to the range and presentation of information they contain. As discussed in the introduction, understanding of their current energy usage, tariff and costs are essential starting points for any household seeking to reduce energy use and save money.
- Supplier performance in relation to the above, which impacts on consumers receiving inaccurate or unclear bills. Customer service may also be relevant, where it helps or hinders consumers seeking to clarify or address their concerns.

The following are not included:

- Issues around tariff complexity; while we accept that tariff complexity can and does contribute to lack of understanding of bills, we exclude it from this study primarily because it was a central concern of Ofgem's RMR. Many of the changes made as a result of the RMR have only recently been implemented, and it would not be productive to revisit that subject while other areas remain less clearly explored.
- Concern about energy prices and total costs: Although central to consumers' concerns for very good reasons, prices and costs are separate from billing issues as defined here.

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It is perfectly possible to receive a bill which very clearly sets out the itemised cost of a good or service which a consumer might regard as expensive – a bill for filling a tank with heating oil might fall into this category, for example. Similarly, it is equally possible for a bill to be confusing, even if the consumer regards the cost as being reasonable, as was perhaps more the case for energy in 2005.²²

²² This is Money gives a figure for an average bill in 2004 of £522: <http://www.thisismoney.co.uk/money/bills/article-2019735/Why-energy-bills-doubled-2004-gas-electricity-prices.html>. Ofgem quote a figure of an average 2015 dual fuel bill of £1,305: <https://www.ofgem.gov.uk/gas/retail-market/monitoring-data-and-statistics/understanding-energy-prices-great-britain/supply-market-indicator>

2. energywatch super-complaint

On 31 March 2005, energywatch²³ submitted a super-complaint²⁴ to Ofgem entitled *Bad Billing: the Costs, Better Billing: the Benefits*. The super-complaint was prompted by consistently high numbers of consumer complaints it received around energy billing, at a time when consistently fewer complaints about other consumer energy issues were being recorded:

*Billing continues to be the largest source of consumer complaint to energywatch, accounting for 61.5% of all domestic complaints, equivalent to approximately 39,000 complaints each year*²⁵ Complaints received by energywatch were in addition to those received directly by energy suppliers themselves. As information on those complaints was not available at that time, further, market-wide detail was provided by research commissioned by energywatch in 2003, which found that:

- *consumers lack confidence in the accuracy of estimated bills; meters are not read quarterly;*
- *35% of customers receive estimated bills frequently (comparable to the figure given to energywatch by suppliers);*
- *1 in 5 believe that the estimated bills they receive are very or fairly inaccurate;*
- *Almost 1 in 10 said that estimated billing had pushed them into debt with their supplier and for a third of those the debt exceeded £100. For 1 in 4 the debt was difficult or impossible to pay off.*

(Summary, para 4)

²³ energywatch was the statutory consumer watchdog for the energy market until its functions were transferred to Consumer Focus in 2008. The role was subsequently transferred to Citizens Advice and Citizens Advice Scotland on 1 April 2014.

²⁴ http://www.consumerfutures.org.uk/wpfb-file/billing_super_complaint-pdf

²⁵ Due to changes in responsibility for handling complaints, which included the introduction of a formal definition of complaints in 2008, the 2005 energywatch figures are not directly comparable to the direct complaint figures currently published by suppliers.

The super-complaint also stated that:

In response to an energywatch Statutory Information Request in 2004, suppliers provided details of a significant number of customers contacting them with complaints or queries relating to billing or account issues. The information indicated that, as an industry average, potentially one-third of consumers, equivalent to 15 million customers a quarter, contact their suppliers over these issues. The companies also reported that on average 36% of bills were estimated; equivalent to 14.5 million bills per quarter

The super-complaint also explored, from first principles, the purposes of billing for both suppliers and consumers:

From a suppliers' perspective the billing process and the bills themselves are the primary source of contact with customers and they provide the means to:

- *make a formal, legal demand for payment of goods and services rendered;*
- *give account information to Direct Debit and prepayment meter customers;*
- *deliver key pieces of information required by regulation (e.g. emergency contact details);*
- *advertise other goods or services offered by the provider;*
- *promote or enhance brand loyalty;*
- *capture accurate data for settlement purposes with their electricity wholesaler or gas shipper.*

(para 2.2)

In contrast:

From the consumers' perspective, the billing experience should provide for:

- *bills being rendered when they are supposed to be delivered, more usually quarterly;*
- *accurate bills that are based upon actual usage and not estimated bills that are unreasonably high or low;*
- *estimated bills that are clearly distinguishable as such;*
- *meters being read at greater frequency;*
- *customers' own meter readings being used to create or amend inaccurate bills;*

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- bills that are readily understandable so that a consumer knows:
 - o how much and when to pay;
 - o what the bill covers in plain language;
 - o how to check the bill if so inclined;
 - o how to challenge the bill or provide own meter readings;
- a consumer should be able to use the bill:
 - o as a tool for making an informed decision to switch suppliers because it contains all the essential information for comparison purposes;
 - o as a guide for making decisions about energy efficiency measures.

In considering the difference between these points of views, energywatch concluded that:

Without accurate, comprehensible bills that are delivered on time, the relationship is fundamentally one-sided and prejudiced against the consumer.

energywatch commented on the range of issues under the overall heading of 'billing', and highlighted the need to see the issues in terms of their total impact on consumers:

The connection between infrequency of bills, disputed accounts, refunds or estimated bills, is not one link in the chain, but is the chain itself. The problems cover the whole billing process from obtaining actual/accurate meter readings to their use in generating an accurate bill that the consumer can understand. (para 3.10)

energywatch then discusses the contrast between the importance of billing and coverage of billing issues in licence conditions, which provide the framework for the energy industry:

So fundamental is the act of billing a consumer that when the Standard Supply Licence conditions were being drafted to open the gas and electricity markets to competition, no one foresaw the need for it to be enshrined in any form of regulation. It was taken for granted that all suppliers would want to bill their customers accurately and in a timely and comprehensible fashion. Such licence conditions that can be said to touch billing, do so in the faintest, most indirect way and mostly relate to the provision of information:

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- Licence Condition 17 – broadly a duty to inspect the meter every 2 years, primarily for safety purposes;
- Licence Condition 21 – informing consumers on their bill or statement at least annually of their MPAN/MPRN²⁶ details;
- Licence Condition 27 – informing consumers at least annually about supplier Codes of Practice. Most suppliers do this as a “bill stuffer” ;
- Licence Condition 40 – the most directly relevant condition: on or with the bill, providing at least an estimate (annually) of the amount of gas / electricity used;
- Licence Condition 40 – on an annual basis, on or with the bill, informing consumers about the existence of energywatch.

(para 2.6)

The outcomes sought by energywatch in the super-complaint were:

- *A market that works well for consumers with suppliers producing bills that are delivered to an agreed time schedule, that are accurate and are comprehensible to the consumer;*
- *An investigation by GEMA²⁷ pursuant to section 11 of the Enterprise Act 2002;*
- *A referral to the Competition Commission if deemed appropriate;*
- *A full review by GEMA of the current regulatory and legal regime covering supplier obligations on billing. This should encompass the introduction of regulation where required and the restructuring, repeal or relegation of existing unnecessary, redundant or inappropriate requirements;*
- *All suppliers within 12 months adhering to an obligation that has as a minimum the eradication of the elements of consumer detriment set out in this document and the provision of more relevant information in a consumer focused manner;*

²⁶ MPAN is Meter Point Administration Number (electricity) and MPRN is Meter Point Reference Number (gas).

²⁷ GEMA is the abbreviation for the Gas and Electricity Markets Authority, which oversees the work of Ofgem: <https://www.ofgem.gov.uk/about-us/who-we-are/gas-and-electricity-markets-authority>

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- *Such should include a supplier commitment to:*
 - o *Adopt any BSI standard on utility billing²⁸;*
 - o *Make bills more comprehensible and relevant to consumers;*
 - o *Provide better quality dedicated billing customer contact arrangements;*
 - o *Publicly move towards using estimated bills as a last resort and devise smarter ways of obtaining actual meter readings every time (including the active promotion of more innovative metering);*
 - o *Place warnings upon estimated bills for accuracy;*
 - o *Improve upon methodologies for the calculation of estimated bills;*
 - o *More proactive management of Direct Debit customers' accounts, rather than merely on an annual or estimated basis;*
- *Incentives for good supplier practice along the Australian/US models;*
- *Industry embracing smarter metering which at a stroke has the capacity to deal with errors, failure to read meters, accuracy of meter reads, the demise of estimated bills and make a massive contribution towards fuel debt prevention;*
- *A consumer impact assessment by GEMA of the current metering service arrangements and the perceived benefit to consumers from metering competition beyond just price;*
- *A best practice direction from GEMA about the complexity of the various tariffs on offer which can be confusing for consumers with their differing thresholds and methods of discount calculation.*

In its concluding comments, energywatch highlighted two sets of issues that had arisen as a result of poor billing practices. Firstly, it summarises immediate consumers' concerns in 2005 as:

- lack of accuracy of estimated bills
- associated financial impacts on consumers, particularly when faced with large catch-up bills when estimated readings were corrected
- issues around lack of use of consumer readings by suppliers when preparing bills

²⁸ The BSI (British Standards Institute) provides a range of services for organisations seeking external certification for products or services. There is no set standard for energy billing, but a comparable standard does exist for billing in the communications sector: <http://www.bsigroup.co.uk/en-GB/our-services/product-certification/kitemark/Kitemark-schemes-for-service-providers/total-metering-and-billing-systems-approval-kitemark-scheme/>

- a perception on the part of consumers that suppliers do *too little too late to address individual consumers' concerns over billing and rectify[ing] problems*
- confusion among consumers around the information presented in their bills.

Secondly, while concentrating on the impacts above, energywatch also put these concerns in the wider context – suggesting that confusion around bills and billing processes created a *'barrier to:*

- enabling consumers to make informed decisions about their level of usage, budgeting for their usage or the value of switching to another supplier
- effective competition in the energy market – customers are retained by obfuscation of essential data
- take up of energy efficiency measures by consumers and this has an impact on Government CO₂ reduction targets.

Ofgem response to the energywatch super-complaint

Ofgem subsequently considered the issues raised in the super-complaint and published its response in July 2005.²⁹ Ofgem set out the view that the system was generally effective, and that problems – while affecting individual consumers – occurred on an individual rather than systematic basis:

Ofgem's analysis has not identified significant and widespread consumer detriment associated with billing processes. For the vast majority of customers, the competitive energy market is working well. The quality of service they can obtain is generally good as well as competitively priced. However, for the relatively few customers who have reason to complain, there is evidence that the market does not always serve them well. Complaints are not always resolved quickly, while customers sometimes suffer great inconvenience and are not always adequately compensated.

The detail of the response expanded on this view:

Estimated bills do not in themselves imply problems of accuracy or cause consumer detriment... survey data shows that most customers find it easy to

²⁹ <https://www.ofgem.gov.uk/publications-and-updates/ofgems-response-super-complaint-billing-processes-made-gas-and-electricity-consumer-council-energywatch>

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read their own meters and challenge the accuracy of their bills if necessary.... Evidence from suppliers and customer surveys also indicates that customers are not concerned about the frequency and regularity of bills. However, when delays do occur, they can cause uncertainty. A relatively small number of customers experience financial difficulties when, through no fault of their own, they do not receive a bill for a significant period of time and then receive a bill for several years' energy use...

... a relatively small number of customers experience significant detriment from billing problems. The speed with which complaints are resolved and the compensation that suppliers provide when at fault varies from supplier to supplier. The ability of suppliers to choose to award compensation, or to block a customer's request to change supplier because of a disputed debt, can put a customer at a significant disadvantage in resolving a dispute with their supplier.

Ofgem also relates poor service to switching rates at the time:

Poor service from a previous supplier accounted for six per cent of electricity switchers and five per cent of gas switchers. This suggests that although poor service is not the main driver of switching it is important... The same survey evidence also shows that 63 per cent of electricity customers and 60 per cent of gas customers stay with their existing supplier because they are satisfied and see no reason to change. This suggests that if an existing supplier offers poor service then this can prompt the customer to move to another supplier. (para 3.16)

There is also some correlation between trends in market shares and customer service records. For example SSE has increased market share and become the third largest electricity supplier nationally. SSE has had the lowest level of account and billing complaints to energywatch over the last seventeen months. npower, the company it replaced as the third largest electricity supplier, has suffered the most complaints... (para 3.17)

Ofgem also considered, from a series of case studies, the points at which problems had arisen:

In most of the cases it would appear that had suppliers followed their own procedures and had their systems worked effectively, the detriment would have been less significant... Ultimately suppliers' processes are only as good as the procedures and systems they have set up, and the training for the staff who run them. (para 4.28)

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Ofgem highlighted some (then) current initiatives, which they suggested would address the outstanding problems. These included:

- the Customer Transfer Programme, which aimed to reduce errors at the point of switching supplier³⁰
- promotional work designed to encourage effective switching
- the introduction of the Energy Retail Association Billing Code³¹, which Ofgem expected would address consumer concerns about confusing bills.

Ofgem also introduced a limited number of substantive changes as a consequence of its investigation of the super-complaint. These included:

- the need to establish an independent dispute resolution body (subsequently put in place as the Energy Ombudsman)³²
- the introduction of a two-year limit on back-billing, where the supplier was at fault, from July 2006, with a subsequent one-year limit from July 2007
- improvements to contract terms and conditions for domestic consumers.

It was not possible during this research to find written evidence of the views of energywatch on Ofgem's response to the original super-complaint. However, personal communication from staff who worked for energywatch at that time suggested that:

- energywatch was disappointed that Ofgem did not agree with its finding that billing problems were so common as to be systemic, and to require a proportionate response.
- There was also some disappointment that Ofgem did not identify or implement actions to prevent further problems arising in future.
- However, the introduction of the limit on back-billing was seen as a significant improvement in protection for consumers.
- The creation of the Energy Ombudsman as a final, binding stage in the complaints resolution process was also viewed positively.

³⁰ Ofgem noted, in its *Energy Supply Probe – Initial Findings Report*, that the Customer Transfer Programme had resulted in a fall in consumer complaints around switching:

<https://www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/retail-market-review/energy-supply-probe>

³¹ Now known as the code of practice for accurate bills, available at <http://www.energy-uk.org.uk/customers/energy-industry-codes/code-of-practice-for-accurate-bills.html> The code is discussed in more detail in Section 5.

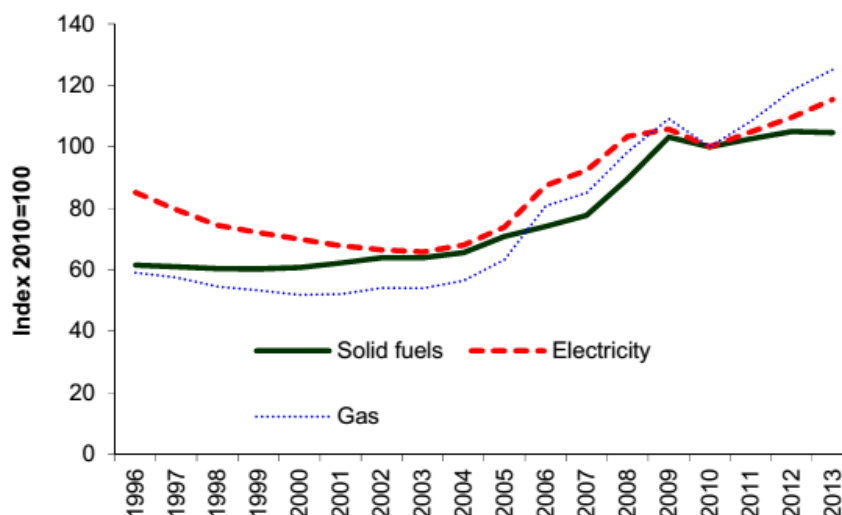
³² Now known as Ombudsman Services: Energy.

3. Changes in the GB energy market 2005–2015

In order to provide context for the changes to bills and billing processes that have taken place since the 2005 super-complaint, this section summarises some of the key developments in the energy market that have taken place over the decade since then. It concentrates on those most relevant to the billing issues outlined above.

Energy prices, adjusted for inflation, fell for consumers from 1996 until 2003/4. Prices then rose until 2013. As shown in Chart 1, gas prices have risen to a greater degree than either electricity or solid fuels. However, in absolute terms, gas remains the cheapest form of energy for heating.

Chart 1: Fuel price indices in the domestic sector in real terms, 1996–2013³³



Source: ONS, Consumer prices index

(1) Adjusted for inflation using the GDP (market prices) deflator.

³³ Chart 2.1.2, *Quarterly Energy Prices*, DECC, 2014

Patterns of energy use have also changed. Typical consumers are using significantly less gas than in the past, but electricity use remains more stable. Domestic energy use for gas and electricity is quoted in annual costs for typical median users; the precise level of use is set by Ofgem³⁴, and is updated at regular intervals, based on real consumption data.

The most recent change took effect from the start of 2014, and was informed by data averaged across 2010 and 2011. Median gas consumption is currently set at 13,500 kWh each year. This figure has fallen consistently in recent years, with the previous value being 16,500 kWh. Median electricity consumption is set at 3,200 kWh each year, and has changed to a lesser extent from the previous value of 3,300 kWh. Although the Department of Energy and Climate Change (DECC) uses different figures for average consumption (15,000 kWh for gas, 3,800 kWh for electricity), the trends are similar.³⁵

DECC suggests that the reason for these trends is a combination of significant improvements in energy efficiency on the one hand, and consumers using less fuel as prices have risen on the other. On the first of these points, DECC notes that:

*The average gas consumption levels have likely fallen due to the improved standards for boilers and greater insulation levels as evidenced by the increase in average Standard Assessment Procedure (SAP) ratings (a measure of the energy efficiency) for houses, which have increased from 45 in 1996 to 59 in 2012 for England.*³⁶

A different pattern is suggested for electricity use, where gains in the efficiency of individual appliances are being offset by growth in the number of appliances used by households.

These changes are important when discussing billing because the balance of costs between gas and electricity will have changed, and will continue to change, for many consumers. This in turn affects the most effective actions they can take to manage their energy bills: clear understanding of the energy use of their household is an essential starting point for consumers whether they are seeking to change tariff or supplier, or wish to understand options for targeted energy efficiency actions that will have the greatest impact on their total costs.

³⁴ <https://www.ofgem.gov.uk/publications-and-updates/decision-new-typical-domestic-consumption-values>

³⁵ Revisions to DECC energy bill estimates, <https://www.gov.uk/government/statistics/energy-trends-march-2014-special-feature-articles>

³⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/295244/Revisions_to_DECC_domestic_energy_bill_estimates.pdf

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The payment methods for domestic consumers have also changed. The table below shows that, since 2005:

1. there has been a marked increase in consumers paying for gas and (even more so) electricity by Direct Debit
2. the proportion of consumers paying quarterly bills has fallen
3. but there has been an increase in the number of consumers using PPMs.

Trends in payment methods for energy 2005–2014

Year/Payment method	2005 ³⁷	September 2010 ³⁸	December 2011 ³⁹	September 2014 ⁴⁰
Direct Debit electricity	41.7%	52%	54%	56%
Direct Debit gas	45.9%	54%	56%	57%
Standard quarterly electricity	36.4%	32%	30%	27%
Standard quarterly gas	38.2%	33%	31%	28%
Prepayment electricity	14.4%	15%	16%	17%
Prepayment gas	10.2%	13%	14%	15%

We did not find any trend data in the incidence of estimated bills.

Different payment methods are associated with different billing issues for different groups of consumers.

³⁷ Quoted in the energywatch super-complaint.

³⁸ *Quarterly Energy Prices*, December 2010, DECC:

<http://webarchive.nationalarchives.gov.uk/20130109092117/http://www.decc.gov.uk/en/content/cms/statistics/publications/prices/prices.aspx>

³⁹ *Quarterly Energy Prices*, March 2012, DECC:

<http://webarchive.nationalarchives.gov.uk/20130109092117/http://www.decc.gov.uk/en/content/cms/statistics/publications/prices/prices.aspx>

⁴⁰ *Quarterly Energy Prices*, December 2014, DECC:

<https://www.gov.uk/government/collections/quarterly-energy-prices#2014>

Direct Debit

Direct Debit is typically the cheapest payment method for energy. Other advantages for consumers include stability of budgeting – monthly payments do not vary across the year – and ease of account management, as there is no need to pay individual bills. There are also advantages for energy suppliers, as their cash flow is also stable and billing costs are lower.

The disadvantages of this payment method are that, if Direct Debits are not set accurately and/or are based on estimated bills, debts can build up over time. While action has been taken to require suppliers to better explain levels at which Direct Debits are set⁴¹ and to limit the credit balance that can be held by energy suppliers⁴², there remains potential for debt levels to rise beyond the ability of consumers to pay.

Which? explored consumer experience of these issues in the July 2012 edition of its magazine, and summarised the (then) current practice. The findings indicated a wide variety of practices between energy suppliers:

- Cash discounts for paying by Direct Debit varied from none to £100, although some suppliers quoted discounts in percentage terms, up to 8 per cent.
- Reviews of Direct Debit payment levels ranged from one to four each year.
- The timing for provision of statements to consumers varied from monthly to one each year.

Considerable differences existed between companies on providing automatic refunds, in the event that an account was in credit at the time of an annual review⁴³. Some companies have no automatic process, and provide refunds only on request; others provide refunds with trigger balances of between £5 and up to £150.

⁴¹ <https://www.ofgem.gov.uk/ofgem-publications/76402/directdebit72009.pdf>

⁴² <http://www.dailymail.co.uk/news/article-2477653/Minister-Greg-Barker-says-Big-Six-energy-firms-refund-millions-cash-face-fines.html>

⁴³ Typically, credit from monthly payments would build up over the summer and fall during the winter, but should in any case be near zero after a year if set at the correct level.

Consumers using Direct Debit may also pay less attention to individual bills, since there is no need for them to take a specific action in response. Consumer Focus found evidence that there was a higher risk of this for consumers managing their accounts online.⁴⁴ Further, Direct Debits require access to a bank account, and consumers on low or variable incomes can see Direct Debit payments as a risk, should payment be taken at an inconvenient time.

Standard quarterly credit

Standard quarterly payments require consumers to pay individual bills, based on the energy they have used (or is estimated to have been used) over the previous three months. The advantage of this payment method is that consumers are more likely to check the accuracy of their bill, as it requires action to pay it.

The disadvantages are that bills can vary greatly over the year, potentially affecting household budgeting. In addition, the costs for energy suppliers of this method are higher, due to the increased risk to suppliers of having to deal with debt, and this is now the most expensive way to pay for electricity and gas.

Prepayment Meters

PPMs tend to be used by households on lower incomes, those in rented accommodation, and by households from which suppliers are recovering (or have recovered) debt; figures published by Ofgem⁴⁵ show that the growth in number of PPM users is largely related to this last group:

In 2013, around 300,000 new electricity PPMs and around 300,000 new gas PPMs were installed. Approximately 80% of the newly-installed prepayment meters (around 230,000 PPMs for each fuel) were installed to manage debt...

While there is some replacement of PPMs by credit meters, the numbers involved are smaller:

About 115,000 electricity PPM customers (3%) and 95,000 gas PPM customers (3%) switched to credit meters in 2013... about a fifth more electricity and gas customers switch[ed] from PPM to credit meters in 2013 compared to 2012⁴⁶.

⁴⁴ <http://www.consumerfocus.org.uk/files/2011/06/Missing-the-mark.pdf>

⁴⁵ <https://www.ofgem.gov.uk/publications-and-updates/domestic-suppliers-social-obligations-2013-annual-report>

p6

⁴⁶ *ibid*

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The main advantage of PPMs, as reported by consumers, is that they avoid debt (or at least, avoid increasing debt), and so help household budgeting.

A wider issue, however, is that the cheapest tariffs on the market are currently available only to those able and willing to pay by Direct Debit and where consumers are willing to manage their accounts online. PPM users therefore require a physical change of meter before they could access these tariffs, and can face barriers in doing this. As a result, Ofgem notes that:

Consumer groups have raised concerns that PPMs are being installed too early in the debt path, and that customers on low incomes are being encouraged on to them without being told enough about the advantages and disadvantages. We are therefore looking into supplier practices in this area⁴⁷.

In addition, Citizens Advice report *Taking Control*⁴⁸ highlights that PPM users can experience wider problems managing their energy supply, such as lost or faulty keys or metering equipment, or inconvenient availability or opening times of places to top up. A further issue is that there is limited innovation in top-up methods, with the vast majority of users continuing to top up with cash via shops or post offices. Citizens Advice is currently campaigning on a range of issues around PPMs.⁴⁹

A wider problem, which crosses all payment types, affects consumers who use electric storage heating and have Time of Use (ToU) tariffs as a result (Economy 7, Economy 10 and others including Dynamic Teleswitching).

These consumers generally have at least two meter readings, which record lower and higher cost units separately, depending on the time of day. A consistent problem, noted in the super-complaint, is that suppliers confuse the two readings, resulting in significant variations between the real cost and the cost on the bill that consumers receive.

The experience of these consumers was more widely explored by Consumer Focus in 2012.⁵⁰ Recent Ofgem research⁵¹ on the consumer experience of more specialised Dynamic Teleswitching meters and

⁴⁷ <https://www.ofgem.gov.uk/publications-and-updates/domestic-suppliers-social-obligations-2013-annual-report> p6

⁴⁸ http://www.citizensadvice.org.uk/energy_policy_and_the_potential_for_energy_consumers_to_take_control_of_their_bills

⁴⁹ http://www.citizensadvice.org.uk/index/campaigns/current_campaigns/fairprepay.htm

⁵⁰ <http://www.consumerfocus.org.uk/publications/from-devotees-to-the-disengaged-a-summary-of-research-into-energy-consumers-experiences-of-time-of-use-tariffs-and-consumer-focus-recommendations>

⁵¹ <https://www.ofgem.gov.uk/publications-and-updates/dynamically-teleswitched-meters-and-tariffs-%E2%80%93-research-consumer-experience>

tariffs reinforced the wider Consumer Focus findings, which also included confusion among users on how to reduce their costs. Experience of ToU tariffs is likely to become more relevant in the context of later phases of the roll-out of smart meters, which will allow the development of new tariffs, discussed below.

Introduction of smart meters

While the trends above have taken place since the super-complaint was published, possibly the most significant change facing consumers in relation to energy billing is the roll-out of smart meters, which is currently due to be completed by 2020.

The introduction of smart meters should, in theory, bring both an end to estimated bills and also greater, near real-time information on costs for consumers, in pounds and pence, through the use of IHDs.

Technical challenges around smart meters are already recognised. But, at the same time, there will also be challenges – at least as great if not more so – to ensuring that, in practice, associated changes do provide advantages for energy consumers.

Improvements to a range of billing concerns are a critical part of this process; while elimination of estimated bills is perhaps the most attractive headline benefit for consumers, that result will only be delivered if company billing processes are able to use the information provided by smart meters effectively – for example, links will be required between operations that calculate monthly Direct Debit amounts.

Smart meters also have the potential to improve circumstances for PPM consumers, in part by eliminating the need for consumers to top up keys or cards outside their homes, and also by making the change from PPM to credit meter much easier. Citizens Advice's campaign Fair play for prepay⁵² includes a demand that PPM users should receive smart meters promptly during the roll-out given these benefits.

⁵² http://www.citizensadvice.org.uk/index/campaigns/current_campaigns/fairprepay.htm

Changes to the consumer landscape

Finally, there have been changes to the organisations that represent the interests of energy consumers. In 2008, Consumer Focus was formed, together with equivalent organisations in the devolved nations, from the merger of energywatch, Postwatch and the respective Consumer Councils.⁵³

This process also changed the complaints handling system, placing a new requirement on suppliers to record direct complaints (now published quarterly and discussed in Section 5), reduced the complaints handled by Consumer Focus to those raised by consumers in vulnerable circumstances or those at risk of disconnection, and made statutory the service provided by Ombudsman Services: Energy.

Following a UK government review of the consumer landscape in 2012⁵⁴, Consumer Focus' name was changed to Consumer Futures from April 2013 and was then abolished in April 2014. Its functions transferred to Citizens Advice and Citizens Advice Scotland from that date.⁵⁵

⁵³ <http://www.legislation.gov.uk/ukpga/2007/17/part/2>

⁵⁴ <https://www.gov.uk/government/consultations/empowering-and-protecting-consumers>

⁵⁵ <https://www.gov.uk/government/organisations/consumer-focus>

4. Changes to billing introduced by Ofgem

Individual energy suppliers have, over time, continued to refine and re-present their bills (some examples are discussed in a later section). However, industry-wide changes have largely been driven by Ofgem.

This section describes the actions taken, in chronological order. There are two main areas of work, following Ofgem's response to the original super-complaint (2005), discussed in Section 2 above. These are:

1. the Energy Supply Probe and associated background material (2008-2009)
2. the Retail Market Review (RMR) and associated background material (2010–2013).

In addition, Ofgem has responded to particular issues when necessary, for example when individual suppliers have failed to meet acceptable standards of service when changing billing systems – an issue covered below in more detail.

Energy Supply Probe

Ofgem launched the Energy Supply Probe⁵⁶ with the Terms of Reference set out in February 2008⁵⁷ covering, among other areas:

- *the customer's perspective and experience of the market, including access to information and barriers to switching supplier*
- *suppliers' market shares, switching rates for different groups of customers (such as online, dual fuel, single fuel and pre-payment);*
- *the competitiveness of suppliers' pricing in the different market segments and customer movement between payment types as well as suppliers.*

⁵⁶ <https://www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/retail-market-review/energy-supply-probe>

⁵⁷ <https://www.ofgem.gov.uk/publications-and-updates/energy-supply-probe-summary-initial-findings>

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Despite largely positive views of the development of the competitive market, the overview of the Initial Findings Report⁵⁸ (October 2008) stated that:

Concerns have been expressed about the operation of Great Britain's gas and electricity retail supply markets for domestic and small business consumers. These concerns are heightened by recent price increases, caused by hikes in global fuel prices. It is even more important that retail markets work well when prices are as high as they are now....

...This interim report has found some important areas where the transition to competitive markets now needs to be accelerated. Many consumers are not yet benefiting fully from the competitive market and vulnerable consumer groups are disproportionately affected.

While the Probe concentrated on aspects that affected switching, some billing issues raised in the super-complaint were discussed in that context. In particular, Ofgem noted that poor billing practices (or at least perceptions of poor practice) were seen as a barrier:

...active consumers are significantly in a minority. Action is now needed to encourage a greater proportion of consumers to engage with the market. Some still find it difficult or time consuming to assess competing offers; some are not confident that they can make a sound choice; some are sceptical about the scale of potential benefits and whether they will be sustained; some still worry about administrative or billing errors, service problems or moving inadvertently to a worse deal; some are unable to get the best deals because they do not have internet access, a current bank account or both. (para 1.11)

Ofgem's research also showed that a significant minority of consumers were switching to a worse deal, often on the basis of doorstep sales, and also highlighted issues such as premiums for PPM users, which were not justified by costs incurred by suppliers.

⁵⁸ <https://www.ofgem.gov.uk/publications-and-updates/energy-supply-probe-initial-findings-report>

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Following research conducted as part of the Probe, Ofgem concluded that:⁵⁹

Based on our research, we believe that the following specific issues are part of the cause of the problems outlined above:

- *many consumers find their bills difficult to understand;*
- *many consumers do not know the name of the tariff that they are on; their yearly consumption level; and/or their yearly expenditure. This makes it difficult to obtain accurate price comparisons from switching sites or direct from suppliers;*
- *consumers often do not know if they are a low, medium or high user. This makes it difficult for them to make switching decisions when using switching sites, or other comparison tools, that use such categories;*
- *many consumers do not know that they could save by paying by Direct Debit and/or managing their account on-line; and*
- *many consumers do not realise that they might be able to achieve a better deal with their own supplier.*

(para 3.4)

And further:

Overly complex bills may impede, rather than aid, consumer understanding. We are therefore limiting the additions we propose to those which research tells us that customers would most value and help them make better decisions regarding their energy supply.

(para 3.15)

Accordingly, a number of actions relating to billing were subsequently implemented by Ofgem in October 2009⁶⁰, most notably:

- the requirement to give clearer information on bills, detailing in particular the name of the current tariff and giving consumption data to make it easier to compare alternatives
- the introduction of an annual statement, again providing details of the current tariff, consumption and cost, with a predicted cost for the coming year assuming consumption remained constant. The annual statement also includes information on any

⁵⁹ *Energy Supply Probe – Proposed Retail Market Remedies:*

https://www.google.co.uk/url?url=https://www.ofgem.gov.uk/ofgem-publications/38335/retail-package-decision-document.pdf&rct=j&frm=1&q=&esrc=s&sa=U&ei=LPRdVJLwM_KP7Aa_hYGYDQ&ved=0CCMQFjAB&usq=AFQjCNEaqDo2ybXpUNKYXoAk_UjHK5-HMw

⁶⁰ <https://www.ofgem.gov.uk/publications-and-updates/implementation-energy-supply-probe-retail-markets>

alternative tariffs with their current supplier, which could reduce their costs, as well as a prompt to remind consumers that they can switch suppliers.

Ofgem's approach was informed by a panel discussion⁶¹ on Billing Information and Price Metrics. The summary of that report includes a section listing what participants considered were:

...the essential pieces of information regular bills should include:

- *Cost (amount owed)*
- *Average Kwh cost during the billing period*
- *Kwh – what it means in terms of appliance usage*
- *Tariff information/options*
- *Usage classification (high/medium/low) – although there was some controversy over this and how it should be presented*
- *Payment method (i.e. Direct Debit)*

It is also notable that participants had different aims for an Annual Statement and for price change notifications:

There is no clear spontaneous demand among consumers for an annual statement although many see that certain types of information could be provided on a less frequent basis than ordinary billing. These would most likely be:

- *Month by month breakdown of energy consumption*
- *Annual consumption*
- *Average costs*
- *Energy saving tips (although some would like these as regular reminders)*
- *Advice on changing your supplier*
- *Tariff advice*

However, consumers do feel it is important to receive updated information if energy prices rise or at the beginning / end of seasons so they can ascertain how this will impact on their bills.

⁶¹ <https://www.ofgem.gov.uk/publications-and-updates/consumer-first-panel-research-findings-second-event-billing-information-and-price-metrics>

Retail Market Review (RMR)

*The Retail Market Review – Findings and Initial Proposals*⁶², published in March 2011, provided a table showing the current position and progress against the issues considered earlier in the Energy Supply Probe. The key reason for the review was that, in Ofgem's assessment, only limited progress had been made against many of the concerns raised earlier. The issues most relevant to domestic consumers in general and to billing more specifically are below:

Supplier behaviour

- *Evidence of removal of large unjustified price differences between payment types – improved.*
- *Some suppliers have shown improvements in their communications with customers, but shortfalls remain – slight improvement.*
- *A lower price premium for incumbent customers, but evidence suggests that the big six are benefiting from sticky customers – no change.*
- *Evidence that competition continues to be targeted at the online market; large discounts to offline standard tariffs are available – no change.*
- *Complex pricing structures are contributing to lower consumer engagement – deteriorated.*
- *An increase in the number of tariffs available may also be contributing to lower consumer engagement – deteriorated.*

Consumer engagement

- *A significant proportion of consumers are disengaged from the energy market – no change.*
- *Quality of switching remains a concern with a large proportion of consumers not sure if they have saved money from their switch – no change.*
- *An increase in the number of passive consumers and fall in the number of active consumers – deteriorated.*

⁶² <https://www.ofgem.gov.uk/publications-and-updates/retail-market-review-findings-and-initial-proposals>

Following from this assessment, Ofgem considered that further action was required. Initial RMR proposals covered five areas, of which the most relevant to billing concerns were:

- 1. Addressing tariff complexity and improving comparability of information for consumers; and*
- 2. Addressing continued poor performance by suppliers in relation to the domestic market, strengthening Probe remedies where necessary.*

While issues around tariff complexity are closely linked to understanding of bills, the main relevance of the RMR to billing, as with the Probe, was through the changes proposed to the standardised information required on bills and annual statements. The RMR *Initial Proposals* made clear that, in Ofgem's view, the aim was to improve bills and annual statements as a means of removing barriers to switching:

We are committed to ensuring consumers...engage successfully with the energy market and feel confident in doing so. If they feel unable or unsure about switching, due to lack of information, they may continue to pay higher bills or be put off switching for some time. Inadequate information may also lead consumers to switch unknowingly to a worse deal than the one they are currently on. (para 2.20)

As part of the review, Ofgem also carried out a technical review of supplier communications, which

...indicated that the literacy requirements to understand suppliers' communications allowed a large majority of the population to access them. However, concerns were raised about the numeracy requirements for information on bills or Annual Statements and on websites. We are concerned that unnecessarily high numeracy requirements could confuse consumers, leading to poor switching decisions, or put them off switching altogether. (para 2.32)

Ofgem also discussed the Standards of Conduct with its Consumer First Panel, and found that panellists agreed that suppliers should ensure that products are as simple and easy to understand as possible, and that tariffs should be easily comparable. However:

...one criticism made by these consumers was the lack of any mention in the Standards of a compensation scheme if mistakes are not resolved quickly. (para 2.33)

Ofgem's remedies under the review concentrated on improving consumers' access to key information about their tariff and consumption. The requirements were quite detailed and prescriptive;

the table showing the information required on bills in Appendix 1 shows the extent of the information requirements introduced by the review.

To help inform the review discussions on clarity of energy communications, Ofgem also commissioned a detailed report on *Energy bills, annual statements and price rise notifications: advice on the use of language*⁶³, which formed part of the background to the *The Retail Market Review – Final Domestic Proposals*⁶⁴, and which was published in December 2011.

In addition to providing detailed guidance against which the clarity of communications could be judged (summarised below), Ofgem noted that the report:

...also identified where suppliers fail to meet certain principles of communication. For example, it tells us some sections of energy bills, statements and price rise notifications showed almost the same level of complexity as the Harvard Law Review. (para 3.12)

More detail on the findings was provided in Appendix 2, Consumer Research Summary of *The Retail Market Review – Final Domestic Proposals*:

The study states that “Since energy is essential and not a discretionary purchase, poor quality communication can lead to what psychologists call ‘learned helplessness’ (first described by Seligman, 1967). That is, consumers feel that their attempts to get better value are not getting them anywhere and so they disengage; they stop trying to influence the situation and become passive.” Below is a summary of the guidance on good practice.

Language

- *Use short words and short sentences.*
- *Different people use language in different ways. ‘Elaborated code’ uses long, detailed sentences with multiple clauses. Think of a legal document. ‘Restricted code’ is simpler and more engaging for more consumers than elaborated code. For example, use per year rather than per annum or pro-rated; or avoid using ‘if...then’.*
- *Use consistent and standardised terms or language. At present, tariff, contract, plan and package are used interchangeably, as are bill, account, summary and statement. This is confusing for consumers.*

⁶³ <https://www.ofgem.gov.uk/publications-and-updates/retail-market-review-energy-bills-annual-statements-price-rise-notifications-report-lawes-and-gadsby-2011>

⁶⁴ <https://www.ofgem.gov.uk/ofgem-publications/39648/rmr-domestic-consultation-december-2011.pdf>

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- *If a word or phrase isn't commonly used in other pieces of information then we should assume consumers won't understand it. Instead, use a clearer/more commonly understood term, provide an explanation, or provide a glossary of key terms.*
- *Ensure information relates to the real world, that is use pounds and pence instead of kWh or provide an example of what 1 kWh actually is/does. Another example is for price rise letters which should show old and new prices for comparison.*

Presentation

- *Three part lists are a clear and useful way to display information. Consider the 'Western Visual Semiotic' when presenting information. This means displaying information which is 'given' on the left side of the page and showing new information on the right.*
- *Group key words or relevant pieces of information. Information, such as principal terms, are often disorganised and scattered.*
- *Show clearly what a document is and explain its purpose. Many consumers are unaware that they have received an annual statement.*
- *Keep key documents, such as annual statements and bills, separate and distinctive.*
- *There is a difference between whether information is in a prominent position and whether it is prominent. For example, information may be on the front page but it may be buried in a footnote or not very clear.*

Consumer First Panel

The same summary also provided information on research on communications conducted with Ofgem's Consumer First Panel:

In terms of the supplier communications themselves, Panellists were clear on their requirements. Simple, pointed messages were considered necessary. Simplification and standardisation across suppliers would help consumers but not necessarily increase consumer engagement. Real evidence of cost savings were considered essential and consumers need help to become more aware of the energy they use.

The same research also noted that understanding of bills was poorer among lower income and disadvantaged consumers, and among those using ToU tariffs.

Research by consumer organisations

Following the introduction of the Probe changes in 2010, Consumer Focus carried out consumer-facing research, published as *Missing the Mark*⁶⁵ in 2011. The aim of the research was to explore the extent to which consumers understood and were acting on the information provided on their bills. The headline findings included:

- *continued widespread consumer disengagement with energy bills*
- *distrust of energy suppliers colour[ed] consumers' view of information provided on energy bills*
- *consumers from low income groups tend to be less engaged with their energy bills*

The report, overall, concluded that:

- *The information on bills does not act as a prompt to behaviour change for the majority of consumers.*

Missing the Mark also explored consumers' views of the annual statements. Consumer Focus noted that these had been introduced relatively recently at the time of the research and accepted that more time would be needed for consumers to become familiar with annual statements and use them. However, the headline findings were that, while they found the information useful, the groups of consumers more likely to act on the information were those already more engaged with the energy market.

⁶⁵ <http://www.consumerfocus.org.uk/files/2011/06/Missing-the-mark.pdf>

5. Current energy bill content, impacts on switching rates and consumer understanding of energy bills

Against the background explored above, Citizens Advice reviewed a number of energy bills, which were provided in response to an informal request to a selection of suppliers.

We assessed the bills against the ease with which information could be found on:

Amount owed
Average cost per Kwh/TCR
Whether or not a bill was estimated
The amount of energy used in Kwh
Information, if any, on how that kWh use translated meaningfully into services used by consumers
Whether information on the consumers' current tariff was available
What options for savings from changing payment method or tariff were presented
Whether consumers were told the category they fell into (low, medium, high user)
Their payment method
Supplier contact
Emergency contacts (for power cuts or gas leaks)
Contact details for external support for consumers – initially energywatch, Consumer Direct from 2009, Citizens Advice consumer service (CS) from 2012
Meter number
AC number

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Recent bills included almost all of the above information, with the exception of whether the consumer was a low, medium or high user of gas or electricity.

As the table above itself implies, the volume of information presented has increased considerably, in part as a result of requirements introduced by Ofgem. In 2008, bills typically covered two sides of A4, and now extend to four or six pages. Appendix 2 of this report shows a detailed breakdown of the information required in bills, produced by British Gas, together with the regulation that created the requirement to include it.

It was clear that individual companies had sought to present the required information as clearly as possible. However, it was also evident that the volume of information required meant that the process of finding any single piece of information could take some time.

We accept that it would not be appropriate to draw conclusions on the detail of bill content from this exercise given the lack of direct consumer involvement in the process.

A further finding from our assessment was that there is limited differentiation between bills and annual statements; indeed, in some cases it was not immediately clear that the document presented was an annual statement rather than a bill.

As a related but external comparator, our assessment also looked at a recent heating oil bill which – on one page – clearly presented:

- the amount owed, separating fuel costs and VAT
- the amount of fuel (in litres) provided and the unit price per litre
- the supplier's contact details
- options for payment
- the customer account number.

No other information was included. Mains gas and electricity are clearly more complex services than delivery of heating oil. However, we would question whether some of the information currently provided on every bill might not be more appropriately provided only in an annual statement, with the latter specifically differentiated in both function and form from more regular bills.

Changes to bills and impacts on switching

As is clear from the previous section, the main reason for the changes made to bills by Ofgem has been to increase consumer participation in the energy market. This is most commonly interpreted as the rate at which consumers switch supplier in the open market. However, there are also more recent signs, although as yet less data, that comparable numbers of consumers are switching tariffs with their existing supplier. Both are discussed below.

Switching between suppliers

Ipsos MORI has, since 2011, carried out an annual tracking survey for Ofgem on customer engagement with the energy market⁶⁶ which records switching levels for gas and electricity. The table below, taken from the survey, shows that switching levels have declined since 2011, although a slight increase was recorded in 2014.

	2011	2012	2013	2014
Did you switch your gas supplier in:	15%	13%	11%	13%
Did you switch your electricity supplier in:	17%	14%	12%	13%

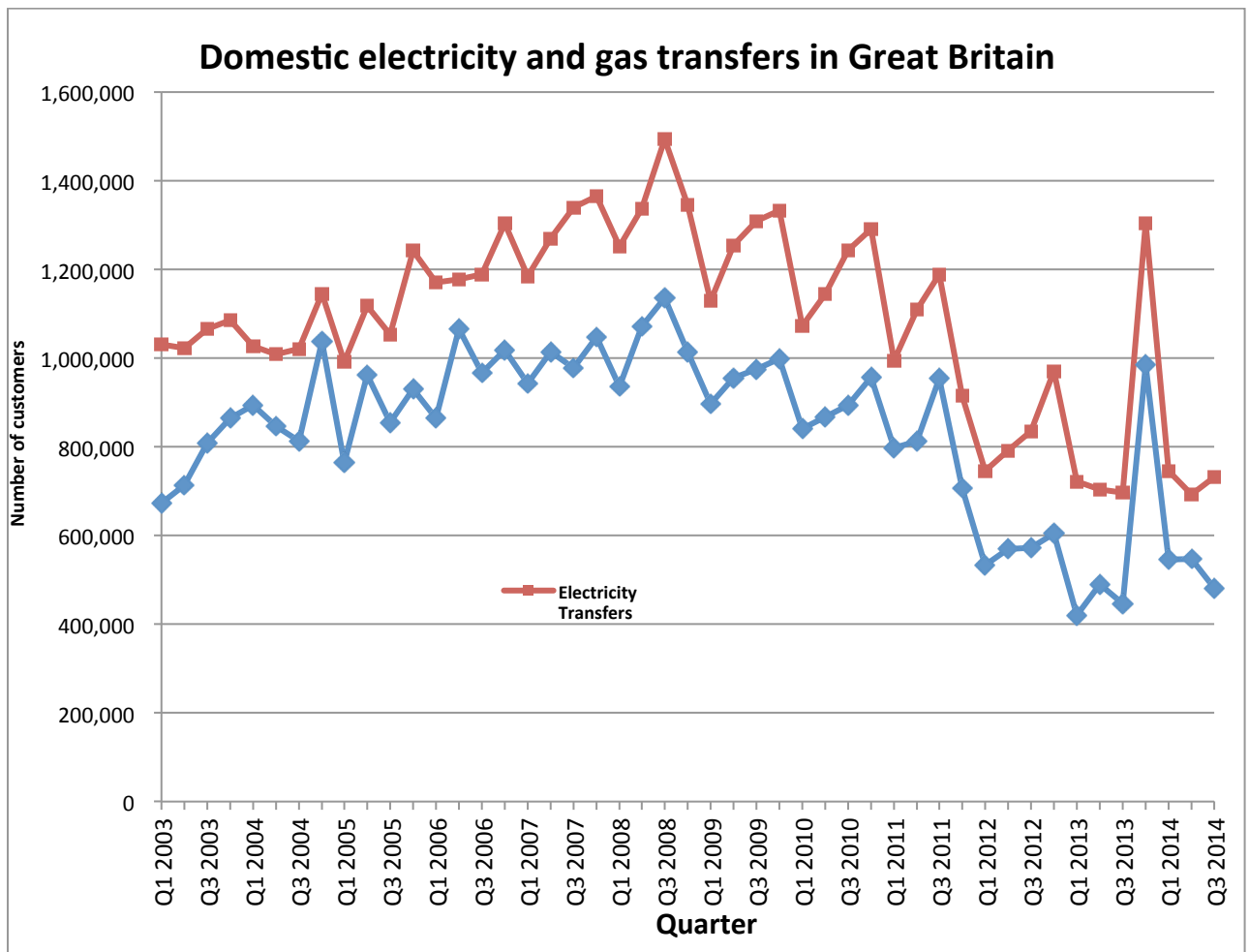
DECC also publishes longer term data on the number of switches.⁶⁷ The chart below, copied from the DECC report, shows that switches peaked in 2008 – and have subsequently fallen.

This pattern has continued, other than in the final quarter of 2013, when a spike was recorded; this coincides with the last series of energy price increases and a considerable amount of both media and political attention on energy issues.

⁶⁶ The most recent survey is available at: <https://www.ofgem.gov.uk/publications-and-updates/customer-engagement-energy-market-tracking-survey-2014>.

⁶⁷ <https://www.gov.uk/government/statistical-data-sets/quarterly-domestic-energy-switching-statistics>

Chart 2: Switch rates by energy type, 2003–2014



Switching tariff with existing suppliers

Although there is limited trend data, there is some early evidence that increasing numbers of consumers are changing tariff with their existing supplier. A baseline survey commissioned by Ofgem as part of monitoring of the Retail Market Review⁶⁸ found that 16 per cent of consumers reported switching tariff with their existing supplier. Recent market monitoring survey work carried out by GfK for Citizens Advice also reflects this trend.

While welcoming this level of activity, we note that Ofgem's baseline survey says that changing tariff in this way was "again more prevalent among advantaged groups".

Overall, the data suggests that the situation highlighted in Ofgem's 2014

⁶⁸ <https://www.ofgem.gov.uk/publications-and-updates/domestic-retail-market-review-%E2%80%93-evaluation-framework-and-baseline-results>

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state of the market assessment⁶⁹ – that a ‘three-speed market’ exists – remains, in which:

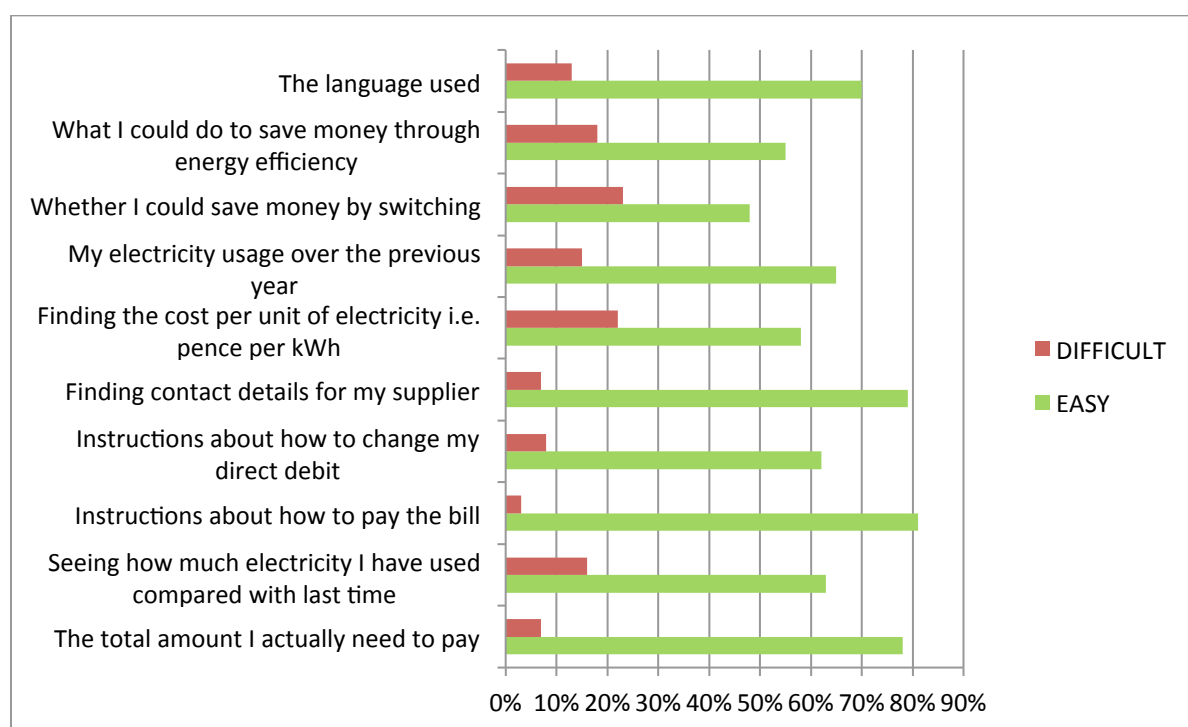
...the ‘stickiest’ customers, who are more likely to belong to vulnerable groups, pay higher prices for their energy than those that are able and willing to switch supplier for a better deal. (para 1.18)

Consumer experience of energy bills

To explore consumer understanding of bills in more detail, we commissioned TNS BRMB to carry out omnibus survey work on a range of topics around billing. A summary of both headline findings and of the views of different subgroups of consumers is given below.

Initial survey questions sought views into the ease of understanding of bills.

Chart 3: How easy is it to understand your electricity bill?



TNS BRMB for Citizens Advice: Face-to-face poll of 2,053 respondents carried out between 30 January and 3 February 2015. Sample size: 1,428 unweighted, 1,418 weighted.

⁶⁹ <https://www.ofgem.gov.uk/publications-and-updates/state-market-assessment>

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Positively, the above shows that understanding of the core financial and management elements of bills – how much to pay and how to do so, contact details for the supplier – is generally high. Ofgem’s research, as discussed above, shows that these are the main expectations consumers have of bills.

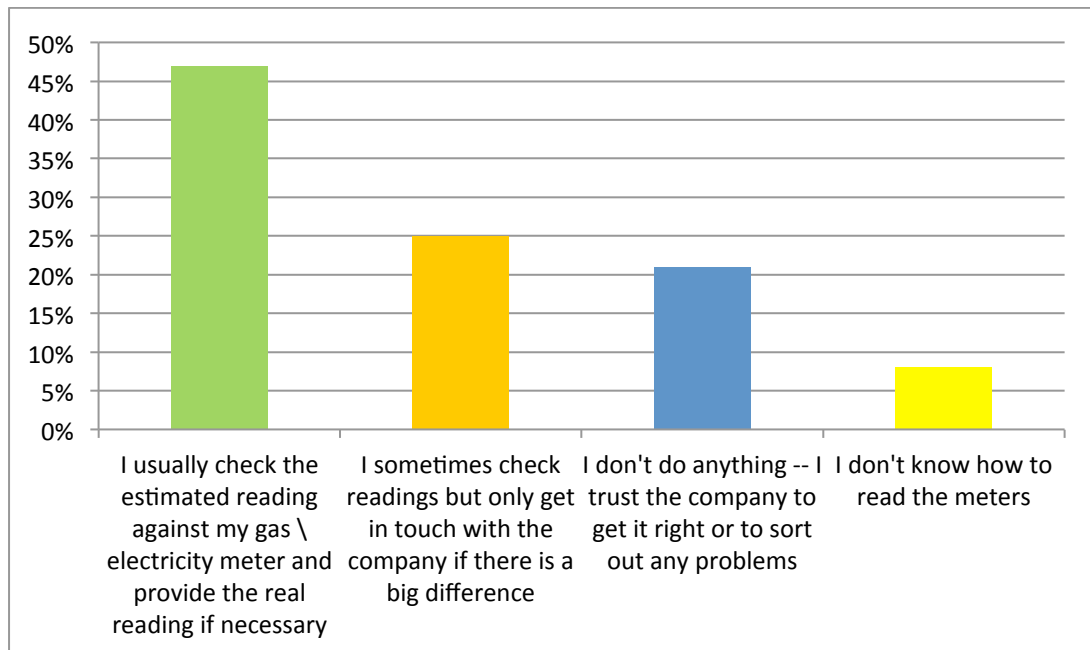
However, understanding of the unit cost of electricity (rated easy by just over 50 per cent) and of the possibility of saving money by switching (rated easy by under 50 per cent) is much less well developed, despite considerable focus by Ofgem on including material on these issues in bills.

Although differences between subgroups were not large in relation to this question, lower levels of understanding of all aspects of bills were reported by economically inactive people, those in the social rented sectors and those without internet access – all groups identified by both Ofgem and the Competition and Markets Authority (CMA) as being more likely to be disengaged from the market, and paying higher prices for their energy as a result.

Responses associated with parallel questions about gas bills were very similar.

The survey also explored consumer attitudes to checking the accuracy of their energy bills.

Chart 4: When you receive an estimated energy bill, which of the following best describes your approach to checking whether it is accurate?



TNS BRMB for Citizens Advice: Face-to-face poll of 2,053 respondents carried out between 30 January and 3 February 2015. Sample size: 1,151 unweighted, 1,171 weighted.

In total, some 30 per cent of consumers report that they do not engage with the accuracy of their bills in any way.

There was a very clear pattern across age in response to this question – older but working-age groups were increasingly likely to check their bill, from 25 per cent of 16–24-year-olds, rising to 56 per cent of 55–64-year-olds. There was a slight drop to 50 per cent of the over 65s.

There was a similarly clear pattern of those from higher socio-economic groups A and B checking more than average, at 55 per cent, while those from groups D and E were less likely than average to check, at 38 per cent.

Owners were more likely to check than average and renters much less so, resulting in a gap of over 10 points between these groups. Similarly, there was an even larger gap between internet users and those without access, at 49 per cent compared with 35 per cent.

There was also a big variation among those who 'usually check' between consumers depending on their ethnicity. Consumers who described themselves as white were more likely to check (48 per cent) than those

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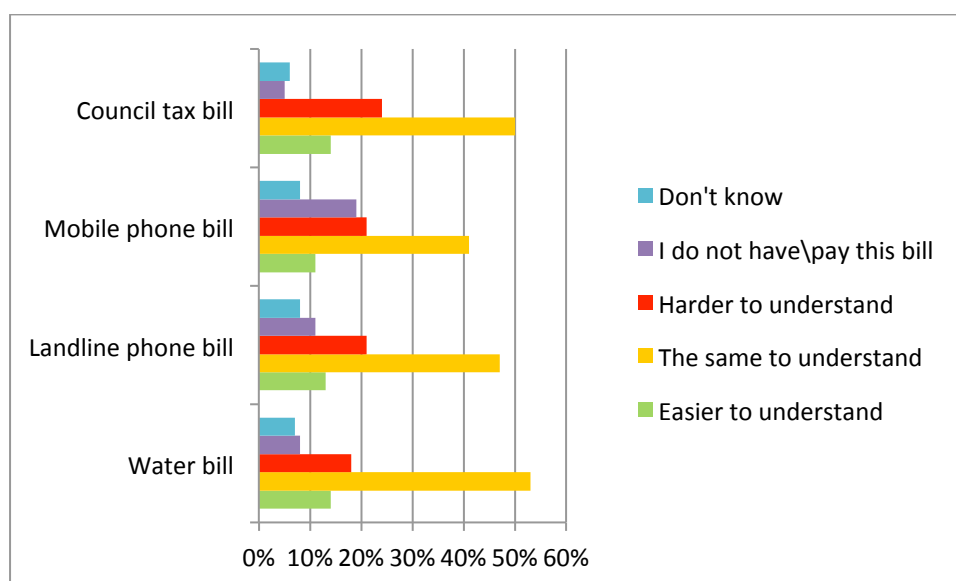
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who identified themselves as from a Black or Minority Ethnic background (29%).

PPM users don't usually check their bills, although this is a reasonable response given those consumers are more aware of day-to-day energy use.

The next question explored comparative understanding of bills.

Chart 5: Are energy bills harder or easier to understand compared with...



TNS BRMB for Citizens Advice: Face-to-face poll of 2,053 respondents carried out between 30 January and 3 February 2015. Sample size: 1,428 unweighted, 1,418 weighted.

Although this chart shows that energy bills were consistently reported as harder to understand than other bills, the headline differences seem quite limited – the 'same to understand' response was by far the most common given in all cases. Typically, around 10 per cent more consumers reported that energy bills were more difficult to understand than the comparator, than said energy bills were easier to understand.

However, closer analysis shows that there is almost certainly an issue of what different groups of consumers understand the above question to mean. Ofgem research⁷⁰ discussed in the preceding section shows that most consumers expect bills to explain 'how much do I need to pay/how/by when'. There is less likely to be a big difference between

⁷⁰ <https://www.ofgem.gov.uk/publications-and-updates/retail-market-review-energy-bills-annual-statements-price-rise-notifications-report-lawes-and-gadsby-2011>

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consumer perceptions of bills if understanding is limited to these factors, than if non-financial information such as energy use or tariff structure is also included.

There is some evidence that this is indeed the case when looking at the answers given by subgroups.

- For example, 24 per cent of all consumers said energy bills were harder to understand than Council Tax bills.
- But, groups who were much more likely to find energy bills harder to understand than Council Tax were those who, from other questions and research, were *more* engaged with their bills – those from higher socio-economic groups, people who are working, those who pay by Direct Debit, owner occupiers.
- Conversely, those less likely to say that they found energy bills harder to understand were those whom other questions show to be less engaged – those in lower socio-economic groups and those who pay on receipt of quarterly bill or by PPM.

Another question asked consumers how easy they found it to address a query or complaint to suppliers of the different services listed above. While there were some limited differences between services, the main finding was that one-third of consumers reported that they found it difficult to query *any* of these suppliers. Groups who find it much more difficult than average (32 per cent) to make contact with any supplier were:

- over 65s (43 per cent)
- socio-economic group DE's (40 per cent)
- single adult households (37 per cent)
- those who own their house outright (38 per cent)
- those without internet access (46 per cent)
- consumers paying on receipt of quarterly bill (38 per cent)
- consumers who reported that they don't regularly check their bills (37 per cent) or don't know how to read their meter (43 per cent).

More generally, men, older working-age consumers and those from higher socio-economic groups found it easier than average to contact most suppliers. Those from lower socio-economic groups consistently found it harder, as did those who pay for energy using a PPM and those living in the private rented sector.

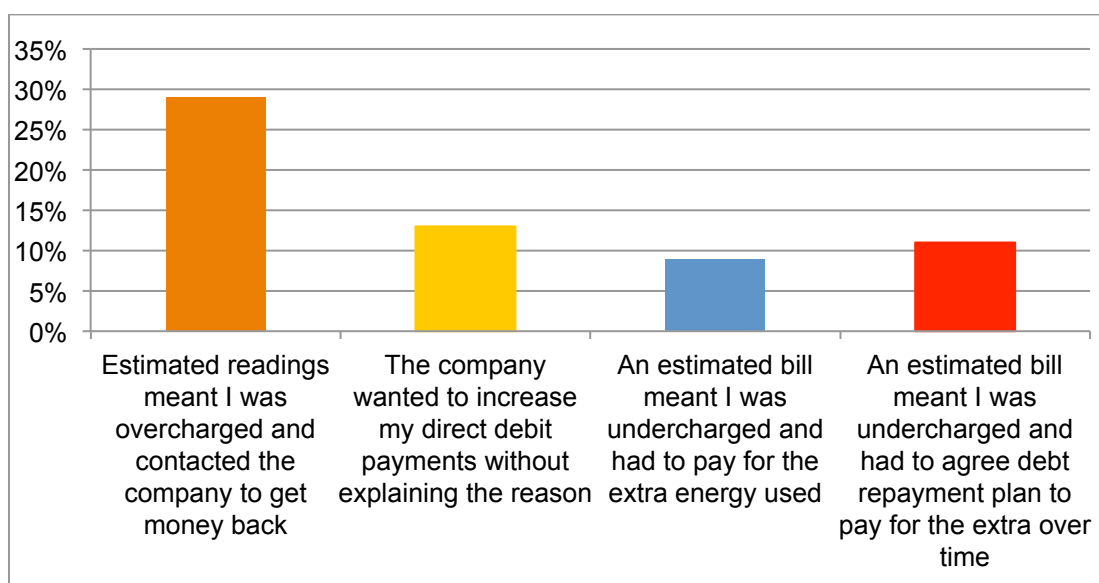
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Consumers who reported that they checked the accuracy of their energy bill also reported that they found it easier to query it, with greater ease of querying it.

A subsequent question asked consumers about their experience of issues as a result of estimated bills. The results are shown in the chart below. This question was not asked of those using PPMs.

Chart 6: Have you contacted your energy supplier in the last year about any of these billing issues?



TNS BRMB for Citizens Advice: Face-to-face poll of 2,053 respondents carried out between 30 January and 3 February 2015. Sample size: 1,151 unweighted, 1,171 weighted.

It is worth noting that only 45 per cent of consumers did *not* report that they had encountered one of these issues.

For the majority of consumers affected, these issues may be inconvenient rather than anything else. However, recent Ofgem Consumer First Panel research on smart metering⁷¹ highlights more substantive impacts:

Several Panellists said they knew of people who had significantly over or under paid for their energy bills as a result of fixed Direct Debits. A couple had done so themselves. They had changed payment method as a result – returning to standard credit and checking their meters on a monthly basis to ensure that readings provided to the supplier were accurate (pp12/13)

⁷¹ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-consumer-first-panel-year-6-wave-3-smart-billing>

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Given standard credit is typically a more expensive payment method than Direct Debit, the action described above implies clear and measurable consumer detriment. Further:

The inconsistent way that suppliers deal with back-billing also leads to mixed feelings from consumers. For example, a Panellist reported that a friend had received a back-bill for £700. They had ended up paying this back in instalments but it had a significant impact on household finances. It reduced their trust in the supplier and left them feeling annoyed that the amount had built up over so long without being noticed. (p28)

The detriment to those for whom a debt repayment plan was needed is likely to have been significantly greater, especially if a consequence of this was that their payment method was changed to a prepayment meter, with associated loss of access to the most competitive tariffs.

Variations from the headline figures by subgroup can also be drawn out for each of these issues. A total of 29 per cent of all consumers encountered the first issue “Estimated readings meant I was overcharged and contacted the company to get money back”:

- Younger people age 16–24 (36 per cent) and 35–44 (34 per cent) were more likely to have encountered this issue than older groups.
- Socio-economic groups A and B were also much more likely have done so, at 35 per cent.
- Those working part time were similarly more likely, at 35 per cent, those who had retired less so, at 25 per cent.
- By housing tenure, mortgage holders were more likely, and social rented sector tenants much less likely, to have had to deal with this issue.
- Those without internet access were much less likely to have encountered it, at 23 per cent.
- Not surprisingly, those who “do not trust their supplier to deliver an accurate bill” were more likely than not to report that they had been overcharged at 40 per cent compared with 26 per cent who do trust their supplier.

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As the absolute numbers reporting each of the remaining three concerns were small, only the most significant variations can be drawn out.

- Consumers who don't trust their supplier to deliver accurate bills were also more likely to say that their supplier had "tried to increase Direct Debit payments without explanation".
- There was little variation between subgroups in those saying they had had to make an extra payment in response to being undercharged.
- However, lower socio-economic groups were more likely to have had to agree a debt repayment plan after being undercharged.

6. Current energy complaints and costs

In its response to the super-complaint, Ofgem highlighted the development of the (then) Energy Retail Association Billing Code as a voluntary action being taken by the industry, which was expected to improve performance.⁷²

Five of the six larger energy companies⁷³ are signatories to the current version of the Code of Practice for Accurate Bills⁷⁴, produced by Energy UK. The Code, recently approved for clarity by the Plain English Campaign, sets out what consumers should expect from their suppliers in relation to five areas:

1. **Switching:** *Suppliers will work with customers to make sure accurate information is recorded and transfers between suppliers are smooth.*
2. **Meter reading:** *Suppliers will offer a range of options to make sure that they get and record the most up-to-date and accurate meter readings.*
3. **Energy bills and statements:** *Suppliers will use all the information they have available to produce accurate and clear bills, on time.*
4. **Payments and refunds:** *Suppliers will make sure they set payments at the right level and that they pay any refunds promptly.*
5. **Back-billing:** *Suppliers have signed up to the 'back-billing' principles (rules about how far back they can bill consumers). They will assess each back-billing case individually.*

⁷² The Code has been re-written on a number of occasions since 2005. The most recent revisions removed clauses that duplicated licence requirements.

⁷³ SSE has never been a member of the Code, but has its own internal processes, including a Customer Charter.

⁷⁴ <http://www.energy-uk.org.uk/customers/energy-industry-codes/code-of-practice-for-accurate-bills.html>

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Detailed text is provided for each of these. For example, under the heading of 'Meter reading' the Code states that:

Your supplier will make sure meter readings are accurate and check any unusual readings before they are used.

Suppliers will provide a range of information in a variety of different ways to make sure that all customers can understand the importance of reading their meter.

And under the 'Energy bills and statements' heading:

Your supplier will make sure that the charges on your bill accurately reflect your current tariffs and that, when there is a change to your tariffs, you will be charged correctly for the energy you have used.

Your supplier will send you your energy bill or statement in a simple format, so that you can understand how they have worked out your bill.

If your supplier does not have an actual reading they will send a bill based on the typical amount of energy you have used in the past, or based on the average amount of energy you have used or your supplier thinks you will use.

Your supplier will provide you with your energy bill or statement in line with the billing schedule you have agreed with them. If the billing date changes in the future by more than 20 working days, your supplier will let you know.

Your supplier will make sure that they check unusually high or low bills before they send them out.

If you receive an estimated bill and then provide your own accurate reading, your supplier may use this reading to produce a revised bill or statement. If you then need a new bill, your supplier will send it out within 10 working days of receiving your meter reading.

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In addition, Ofgem more recently introduced Standards of Conduct for energy suppliers. The standards⁷⁵ cover three broad areas:

Behaviour: Suppliers must behave and carry out any actions in a fair, honest, transparent, appropriate and professional manner.

Information: Suppliers must provide information (whether in writing or orally) which is:

- complete, accurate and not misleading (in terms of the information provided or omitted);
- communicated in plain and intelligible language;
- relates to products or services that are appropriate to the customer to whom it is directed; and
- fair both in terms of its content and in terms of how it is presented (with more important information being given appropriate prominence).

Process: The supplier must:

- make it easy for the consumer to contact them;
- act promptly and courteously to put things right when they make a mistake; and
- otherwise ensure that customer service arrangements and processes are complete, thorough, fit for purpose and transparent.

Ofgem's process of investigation (to determine whether the above standards have been breached) is set out in *Enforcement Guidelines on Complaints and Investigations*, published in June 2012⁷⁶.

Since 1 October 2012, each of the six larger energy suppliers has been required by Ofgem to publish quarterly the number of complaints they receive and the top five issues raised by consumers.⁷⁷ Smaller independent suppliers have published similar data from 2014 onwards. Although older data is not published, the CMA Updated Issues Statement⁷⁸ notes that, according to data submitted to it by suppliers, the volume of complaints rose fivefold between 2007 and 2013.⁷⁹

⁷⁵ <http://www.ofgem.gov.uk/press-releases/new-standards-conduct-suppliers-are-first-step-simpler-clearer-fairer-energy-market>

⁷⁶ <https://www.ofgem.gov.uk/ofgem-publications/37567/enforcement-guidelines-2012.pdf>

⁷⁷ <https://www.ofgem.gov.uk/about-us/how-we-work/working-consumers/supplier-performance-consumer-complaints>

⁷⁸ <https://www.gov.uk/cma-cases/energy-market-investigation#working-papers>

⁷⁹ Suppliers were required to start logging all direct complaints from 1 October 2008 onwards when the Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 took effect: <http://www.legislation.gov.uk/uksi/2008/1898/contents/made>

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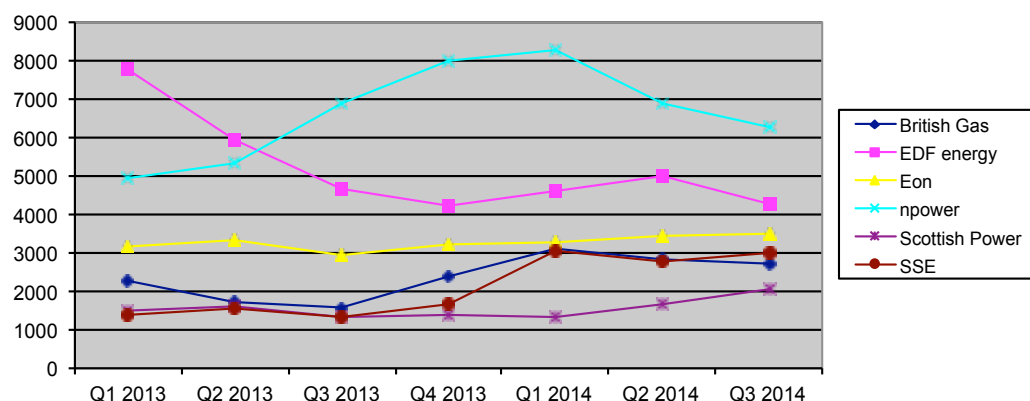
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It is also possible to examine the data, segregated into at least broad headings, to assess performance against the commitments set out in the Code. Citizens Advice also publishes a league table for supplier performance in complaints handling, which weights complaints depending on the extent to which higher levels of assistance are needed to help consumers resolve them.⁸⁰

The chart below, using data published by Ofgem, shows trends in the level of complaints per 100,000 customers for each of the six largest suppliers. In Q3 of 2014, complaints per company varied between just over 2,000 per 100,000 and over 6,000 per 100,000. A common definition of 'complaint' is used across all suppliers.⁸¹

While the two companies with the highest rate of complaints have been improving over time, there is evidence of a rising trend among the remaining four suppliers. Complaints for the industry as a whole cluster around 3,000 per 100,000 per quarter at the end of the period.

Chart 7: Complaints to the six largest energy suppliers, 2013–2014



The headings used to categorise complaints vary between companies as do the definitions of what categories certain complaints types fall into. Detailed data on the broad headings of complaint is published by the six largest energy suppliers and is summarised below. The data shows that billing issues are, almost universally, the biggest single category, and in some cases account for a majority of complaints.

⁸⁰ http://www.citizensadvice.org.uk/index/aboutus/consumer-work/energy_supplier_performance.htm

⁸¹ Whilst all suppliers are required to use the same definition of a complaint 'expression of dissatisfaction', there may be inconsistencies between suppliers as to how 'expression of dissatisfaction is defined'.

British Gas

British Gas received a total of 1,660,142 complaints over the year to the end of Q3 of 2014.⁸²

The table below, also taken from the company's website, shows the breakdown of issues raised. Billing, at around one-quarter of all complaints, is the largest single heading.

As a percentage of the total complaints received	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Billing	18%	23%	27%	26%
Payments	19%	23%	21%	22%
Customer service ^[3]	21%	17%	16%	16%
Metering	10%	10%	8%	9%
Communication ^[4]	–	–	7%	7%
Credit management ^[5]	6%	6%	5%	–

In addition to providing this breakdown, British Gas summarises actions the company is taking in response, some of which are reproduced below. While responses under the 'Billing' heading confirm the range of issues relates to the areas covered by this report, responses under the 'Payments' and 'Communications' headings suggest that a number of those issues are also within the scope of billing as defined by this study ('Metering' issues seem more specifically about changes or installation of meters).

Some responses highlighted by British Gas under 'Billing' include:

- We've introduced a number of initiatives to improve the speed and accuracy in which meter readings are fed into our billing system to ensure our bills are accurate.*
- We know that the key to reducing billing complaints is to reduce the number of estimated bills we produce. With this in mind, we're continuing with our plans to install Smart meter technology in our customers' homes. This ensures we provide accurate bills without the need to submit meter readings, as a smart meter automatically sends us regular and accurate readings of our customers' energy use. We're*

⁸² <http://www.britishgas.co.uk/help-and-advice/contactus-personal-details/complaints-performance.html#TopFive>

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proud to continue to lead the industry with the installation of smart meters, with more than 105,000 smart meters installed during Q3 2014 and more than 1.1 million installed to date.

- We've already introduced improvements to the look and feel of our bills, but we're planning to make further changes to ensure that the information we provide is simple and easy to understand.*
- We're looking at how we can reduce the number of estimated bills we send, which we know will help support our drive to reduce complaints in this area.*
- Similarly, one of the two key responses under 'Payments' relates to billing:*
- To ensure our customers are paying the right amount for the energy they're using, we review plans at least twice a year. This includes an interim review six months into the plan, and an annual review which normally takes place at 12 months. In Q3 2014 alone, we reviewed over 3.7 million payment plans. We know that when we adjust payment plans, some of our customers get in touch to understand the changes we've made.*

In addition, accuracy of payment plans and both timing and clarity of bills are all mentioned under 'Communications'.

It seems likely, given the above, that complaints about billing, in terms of the issues covered in this report (and in the Code of Practice for Accurate Bills), account for rather more than the headline figure for complaints under the British Gas heading of 'Billing'.

EDF Energy

For the year to the end of Q3 of 2014, EDF Energy received a total of 1,028,249 complaints.⁸³

Complaints categories for the quarter ending September 2014 are given below:

Top five categories in Q3 2014	% of complaints opened by category
Billing	33%
Metering (inc prepayment)	16%
Payments	15%
Customer service	9%
Change of supplier	5%

Explanatory notes are given for each category:

- **Billing:** *Covers any complaints made about the layout of our bills as well as any information displayed on them such as cancelled charges or payment dates. Complaints received about estimated readings, price increases or incorrect bills are also included.*
- **Metering** (including prepayment): *If we receive complaints about metering appointments or any mismatched data then these are listed in this section. Also included here are prepayment meter issues, which tend to be higher in winter months.*
- **Payments:** *Any complaints we receive about Direct Debit payments or prepayment credits are included here.*
- **Customer service:** *no definition given*
- *Change of supplier includes customers who have experienced problems while switching supplier. In Q2 we also included change of tenancy but this has been removed from Q3's data.*

From the above, it seems likely that a proportion of issues under both the metering and payments headings relate to billing as discussed in this report.

⁸³ <http://www.edfenergy.com/for-home/help-support/complaints-performance>

E.ON

In the year to the end of Q3 of 2014, E.ON received a total of 1,032,218 complaints.⁸⁴

The main categories of complaint over the period above are shown in the table below, taken from E.ON's website:

Top reasons for complaints (as a % of the total complaints received)				
Reason	Oct–Dec 2013	Jan–Mar 2014	Apr–Jun 2014	Jul–Sep 2014
Customer service	43%	42%	39%	44%
Bills and letters	24%	29%	31%	27%
Payments	15%	12%	12%	12%
Metering	11%	13%	13%	11%
Systems	3%	2%	2%	3%

The information provided under these headings is less detailed than for some other energy suppliers, and concentrates on the services provided by the company, rather than the nature of the complaints it has received.

npower

In the year to the end of Q3 of 2014, npower received a total of 1,584,833 complaints.

The main categories of complaint and associated summaries of issues set out by the company for Quarter 3's complaints were:

Billing 73% – *Needing further information to understand your bill.*

Payment 8.4% – *Querying Direct Debit payments or payments regarding a prepayment meter.*

Metering 4.2% – *Checking the information we hold about your meter or asking why one of our metering agents didn't arrive when they said they would.*

⁸⁴ <https://www.eonenergy.com/About-eon/how-we-service-our-customers/Standards-of-Service/Complaints-reporting/q4-2013>

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Energy transfer 10.6% – *Experiencing delays switching your energy to or from npower.*

Debt 2.6% – *Facing financial difficulty or struggling to pay bills.*

As with other suppliers, the company provides information on what they are doing about the issues raised. For example under the 'Billing' heading, it states:

We know that energy bills can be complicated. Using your feedback, we've changed the look of our bills so they're much easier to understand. We've also improved our customer service web pages to make sure information is available 24hrs a day.

Action under the 'Energy transfer' section is

You've told us how frustrating it is when you experience a delay in switching your energy to or from npower. With that in mind, we're introducing a new system that will improve this service and let you know more about what's going on, and when.

ScottishPower

In the year to the end of Q3 of 2014, the ScottishPower website⁸⁵ shows that 334,090 complaints were received. There was a sharp rise in complaints in the final quarter, and a note on the website attributes this to a migration of customer accounts to a new system.

Reason	Oct-Dec 2013	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014
Billing	49%	50%	49%	48%
Customer services	16%	17%	25%	22%
Payment issues	20%	20%	15%	18%
Customer establishment	7%	8%	6%	6%
Metering	3%	3%	3%	3%

⁸⁵ <http://www.scottishpower.co.uk/support-centre/service-and-standards/complaints/complaintsperformance>

Further explanation on these categories is:

Billing: *This captures complaints primarily around the layout and content of the bill as well as the amount outstanding.*

Customer services: *This category covers the feedback we receive from you about service levels when they contact us and it also covers your experience when speaking with our agents about our services and products.*

Payment issues: *This captures all complaints relating to payment plans, whether that is the value or the method of payment, a change in their consumption, a change in personal circumstances or following a price change.*

Customer establishment: *This category is used to capture all identified complaints around the establishing of new accounts for customers.*

- **Metering:** This category covers customer feedback for all activities relating to meters, including appointments to their homes to read or change their meter.

As with some other suppliers, the detail given under the 'actions in response' to each of these suggest some of the concerns raised by consumers. Under the 'Billing' heading, these responses are:

- We listen to customer feedback to continually review and improve the layout and design of our bill.
- This year, we revised the design of your energy bill to make it simpler and clearer, these changes can help you understand the energy you use and we introduced new content as part of Ofgem's Retail Market Review.
- We are constantly improving the ways for you to provide your meter readings, most recently by launching our new Energy App making this simple and convenient for you.
- We provide information through our Support Centre to help explain and breakdown your bill, and we continually review this based on your feedback and billing queries.

Actions under 'Payment issues' are also relevant

- For Direct Debit customers, we proactively monitor the level of payment against the energy used each quarter to keep them on track and help prevent them from building up a debt.

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- We have enhanced our self-serve options for our online customers, they can view their accounts online, enter readings, produce bills and review payments to ensure they are paying enough for their consumption.
- Prepayment customers with a computer and internet access can top up with credit from the comfort of their own home with our 'In Home' Pay As You Go service – a faster and easier way to pay.

SSE

SSE received 816,647 complaints in the year to the end of September 2014.

SSE lists, but does not quantify, the Top five sources of complaint in the third quarter of 2014, together with more detail on the reasons for complaints and action in response:

Customer service: *Customers tell us they're not happy when we don't answer their calls quickly. We like to answer within 20 seconds, but this can take longer at busy times. When this happens, we free staff from other areas to help.*

Billing: *Customers contact us about bills for many reasons, including estimated meter readings, the amount of energy they've used, dealing with their energy accounts when moving home, and general confusion around information on the bill.*

Customers ask why they're using so much energy. We offer advice through our specialist Energyline team, and also give energy saving tips on our website. To help lower the number of estimated bills we send, we're making it easier for customers to give us meter readings, by phone, email, texting the meter reader, or through our app, website or automated Meterline.

We're always improving how our bills look and we have worked with our regulator Ofgem to make them easier to understand. Our customers tell us they want bills to be even simpler, so we will keep looking at improvements we can make, to give customers the bills they want.

Payments: *We know that keeping up to date with payments is important to our customers and many of them contact us when we change their monthly payment or if their financial circumstances change.*

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Every year, we automatically review the amount our customers pay to check it's right, but if a customer asks us to, we're happy to check payments at any time throughout the year. We've recently changed what we do with any money left over on customer accounts at the end of the billing year, by now refunding credits of over £5 at the end of the billing year.

Some of our customers generate their own electricity which we buy back from them. We want to make these payments as quickly as possible but some customers are unhappy about the time it takes. This is why from early 2015, we've made changes so that statements and payments will be automatic, saving time and making sure customers get their payments without delay.

Credit management: *We know that managing money is important to customers and by understanding customers' individual circumstances we can help them budget and pay for their energy in the most affordable way. How we communicate with customers is important to us and we work hard to ensure we get this right.*

Metering and Equipment: *When customers worry about their bills, it can lead to concerns about their meter not working properly. While this is unusual, it can happen and we work to quickly to identify any problems.*

We recently started a national campaign after finding a manufacturing fault with some Economy 10 meter time-clocks. To make sure customers are not financially disadvantaged, we are asking customers who might have one of the faulty time-clocks to get in touch so we can check it. If they have the fault, we will fix or replace the meter and recalculate their bills for as long as they have had the meter.

Total reported complaints among the six largest suppliers

Aggregating the figures for individual suppliers, a total of 6,456,179 complaints were received in the year to 30 September 2014. As these figures are not disaggregated, we made a conservative assumption that 10 per cent of these complaints – which would be just over twice their proportionate share – were from commercial consumers, giving a figure of 5.81m complaints for the domestic sector.

It is also important to recognise that the 'per 100,000' metric for comparison is customer accounts, rather than individual households, so a household using both electricity and mains gas has two accounts.

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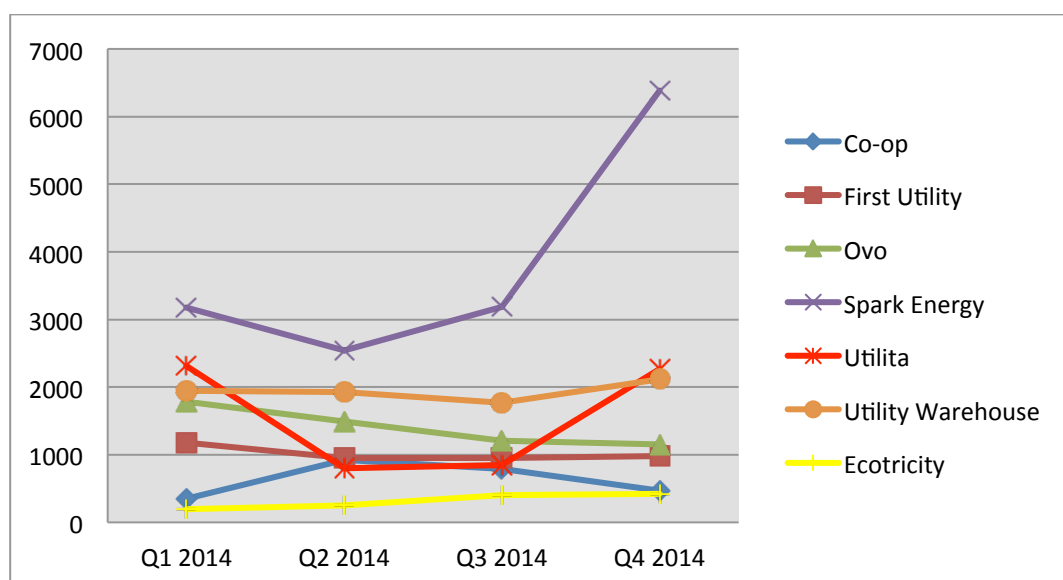
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The CMA Updated Issues Statement gives a figure of 27m domestic customer households.⁸⁶ A figure of 5.81m complaints for the domestic sector therefore is up to 20 per cent of all GB households registering a complaint each year.⁸⁷

Independent suppliers

Smaller independent suppliers have published similar complaints data since the start of 2014.⁸⁸ While the types of complaints they receive are broadly similar to the six largest suppliers, the levels of complaints are in most cases rather lower. The best of the independent suppliers record considerably less than 1,000 complaints per 100,000 customers per quarter, as shown in the chart below.

Chart 8: Complaints per 100,000 accounts among smaller energy suppliers



⁸⁶ https://assets.digital.cabinet-office.gov.uk/media/54e378a3ed915d0cf7000001/Updated_Issues_Statement.pdf
Figure provided is 27 million electricity accounts and 23 million gas accounts, of which 19 million or 70% of households are dual fuel customers.

⁸⁷ Suppliers report complaints separately for electricity and gas accounts. The complaints per 100,000 customers metric published by suppliers is based on customer accounts, not households. Ofgem guidance for suppliers is that a complaint about a dual fuel account such as an incorrect bill or related customer service failure should be recorded as a single complaint even where the supplier has produced incorrect information for both the gas and electricity accounts. Further, some consumers may complain more than once over a 12-month period. We therefore recognise that, while complaints are at a level of up to 20 per cent of all households, the proportion of households affected in practice may be smaller. However, in that case, the detriment suffered by individual households would be greater.

⁸⁸ Available at <https://www.ofgem.gov.uk/about-us/how-we-work/working-consumers/supplier-performance-consumer-complaints>

These figures may suggest that lessons could be learned from the independent suppliers in relation to customer service. However, there are at least two issues which must be considered when considering these figures.

1. It is important to note that independent suppliers' consumer base, by definition, consists of those who have switched supplier from one of the six larger suppliers. Ofgem's research as part of the RMR showed that those more engaged consumers are more likely to be able to understand their bills than consumers as a wider group, and perhaps more likely to be able to resolve questions without formally complaining as a result.
2. Secondly, it is possible that some independent suppliers' complaints processes are less rigorous than the larger six suppliers, and their assessment of what constitutes a complaint may, in practice, differ.

Escalated complaints

A system to escalate complaints exists for consumers who are dissatisfied with the response they have received from their energy suppliers:

The contact details for the Citizens Advice consumer service (CS) are provided on all energy bills, as a first source of advice on all energy consumer issues.

CS does not deal directly with complaints; rather, its role is to advise consumers on their rights and to provide them with suggestions on how best to approach their complaint when dealing with their energy supplier. CS can, however, also refer cases to energy suppliers.

However, it is still notable that, of the 71,386 calls and 3,090 emails on energy issues to which CS responded in 2013/14, all of the most common five concerns related to billing. These were: *pricing information*; *back-billing/catch-up bill*; *company contact details*; *clarity of bill*; and, *customer not responsible for bill/debt*. Wider related issues, such as debt recovery or meter accuracy, were also in the Top 10.

CS also acts as a referral mechanism for the Extra Help Unit (EHU), also based within the Citizens Advice Service⁸⁹. The EHU helps vulnerable consumers, broadly defined as those who are unable to represent their own interests effectively at the time of contact.

⁸⁹ <http://www.cas.org.uk/about-us/consumer-advice/extra-help-unit>

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Ombudsman Services: Energy is the final recourse for consumers seeking resolution of a dispute with their energy supplier, and the Ombudsman has the power to deliver a binding settlement, including an element of financial compensation. During 2013/14, the Ombudsman handled 26,760 energy complaints, an increase of 132 per cent on the previous year.

The Ombudsman acted in all but 5 per cent of these cases, and 76 per cent of all complaints included a financial transfer from the energy supplier to the consumer as part of the settlement package. Eighty-two per cent of energy complaints were about billing issues, which includes disputed charges, inaccurate invoices and customer service.⁹⁰

Ofgem research on energy company complaints

In August 2014, Ofgem published *Complaints to Energy Companies*.⁹¹ The research, carried out by GfK, looked in detail at the experience of nearly 3,000 domestic and small business consumers who had complained to their energy supplier in December 2013. The report updated an earlier survey of consumers who had registered a complaint in December 2011. The survey was carried out in March 2012.⁹² Where directly comparable, the position in 2013 showed deterioration in service.

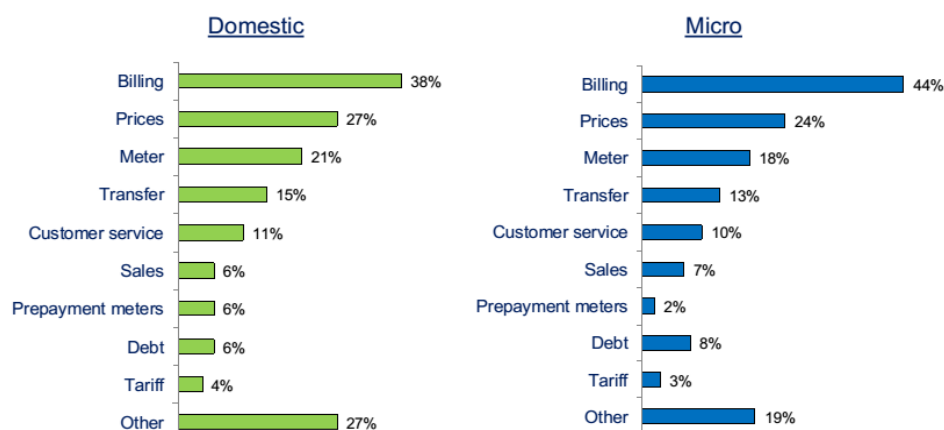
The research shows that a majority (57 per cent) of domestic consumers were dissatisfied with the way their complaint had been handled. Consistent with the discussion above, the survey also found that billing was the single largest category of complaint for both domestic and micro-business consumers, and that other related issues also feature.

⁹⁰ Energy Ombudsman 2013/14 Annual Report: <http://www.ombudsman-services.org/annual-reports-os.html>

⁹¹ <https://www.ofgem.gov.uk/publications-and-updates/complaints-energy-companies-research-report-2014>

⁹² <https://www.ofgem.gov.uk/ofgem-publications/57616/customer-complaints-research-2012.pdf>

Chart 9: Complaints by type among domestic and micro-business energy consumers



B3. What was your complaint about?

Base: All: Domestic 2,457, Micro 288

Compared with the 2012 survey, billing issues had become the top concern in 2014. This was due to a significant increase in billing complaints (from 25 to 38 per cent), while concern about prices had remained very similar (28 per cent in 2012, compared with 27 per cent in 2014).

The report concentrates on the process of complaints handling, rather than exploring the detailed content of the complaints themselves. In particular, it examines the ‘Resolution Gap’ – a position that occurs when the supplier thinks the complaint has been dealt with, but the consumer does not.

The study found that:

Only half (54%) of domestic customer complaints had been resolved from the customer’s perspective, a [statistically] significant fall from the previous 2012 survey (59%). (p4)

And

In nearly half of the cases where the supplier considered the complaint resolved, the customer did not (44% of domestic and 40% of micro business). The size of this Resolution Gap has not changed since 2012.

Further:

The quantitative research revealed two key reasons why customers in the Resolution Gap feel their complaint has not been resolved: 1) on-going concerns about billing or metering issues and; 2) the supplier not giving sufficiently clear communication that the problem has been resolved.

The research also explored consumers' reactions to dealing with the complaints process:

Nearly half of customers had either switched or planned to switch supplier as a result of their complaint experience; and indeed some had already switched (18% of domestic... customers).

There is a clear correlation between satisfaction with the way the complaint was handled and propensity to switch supplier. The majority of dissatisfied customers had already switched or planned to switch, while over three in four satisfied customers had no plans to switch supplier.

However, potentially vulnerable groups, who were as dissatisfied as other customers with the way their complaint had been handled, were less likely to have switched supplier as a result of their experience. Far fewer had already switched among those who were: social grade DEs (12%); unemployed (13%); living in a household with an income of less than £10,000 (11%); with a disability (12%); of non-white ethnic origin (12%). This may reflect less confidence about how to switch supplier among potentially vulnerable groups.

Domestic customers reported having to contact their suppliers, on average, six times, and 5 per cent reported that their complaint had required intervention by the Ombudsman to reach resolution. As a result, the report suggests that areas where improvement is most required are:

- *speed of problem resolution;*
- *taking a proactive approach and having the ability to make decisions on the spot; and*
- *the communication of next steps in the process.*

It is worth noting that the number of contacts is very similar to that recorded by energywatch in 2008⁹³, when consumers reported contacting their supplier seven times on average before seeking assistance from energywatch.

Complaints comparison with the water sector

While a great deal of discursive material is available around complaints management, only very limited material is available on the cost of dealing with complaints. The most directly relevant, publicly available figures are those used by Ofwat in the 2010 publication *Putting water*

⁹³ <http://www.compareandsave.com/news/watchdog-warns-energy-firms-about-complaints/>

*customers first – the service incentive mechanism*⁹⁴. Ofwat's approach was itself based on three studies of complaints handling carried out by the National Audit Office (NAO), and which covered three agencies of the Department for Work and Pensions (Jobcentre Plus, The Pension Service and the Disability and Carers Service).

In Ofwat's case study of 2008/09, 2,120,988 telephone complaints and a further 222,836 written complaints were recorded across the water industry in England and Wales.

According to census data⁹⁵, there were 23.4m households in England and Wales combined in 2011. As with energy complaints above, the Ofwat figure of 2,343,824 complaints in total includes non-domestic consumers. Taking this into account, water complaints in that year represent, at most, less than 10 per cent of the domestic customer base.

It is worth noting that the overall context for Ofwat's work in this area was to encourage improvements in the quality of service offered by water and sewerage sectors, in order to replicate, to some extent, commercial pressures that would exist in a competitive market; it is therefore reasonable to conclude that Ofwat felt the recorded level of complaints was higher than it would have been in the event that market existed. Ofwat stated that:

....the companies must be incentivised to do the following.

Get things right first time. In general the best and cheapest way for a company to deal with any interaction with its consumers is to meet the consumer's need at the first contact between them.... Consumers become frustrated when they have to have repeated contact with their company in order to resolve seemingly simple issues. The dissatisfaction that results may have other consequences for the company. For example, the consumer may withhold payment or raise other issues for the company to deal with. Poor service also increases demand for a company's services (this is known as 'failure demand'). Our pilot consumer experience survey showed that only 63% of consumers had their issue resolved with a single call while 5% said they needed to make at least six calls.

Resolving complaints quickly and effectively. It is not always possible for companies to get things right first time, so complaints are inevitable. However, consumers will be less dissatisfied if their complaint is dealt with quickly and effectively. Doing so not only improves a company's reputation

⁹⁴ http://www.ofwat.gov.uk/publications/prs_inf_simsup.pdf

⁹⁵ <http://www.ons.gov.uk/ons/rel/census/2011-census/population-estimates-by-five-year-age-bands--and-household-estimates--for-local-authorities-in-the-united-kingdom/stb-population-and-household-estimates-for-the-united-kingdom-march-2011.html>

with its consumers, but also reduces failure demand. Reducing failure demand and resolving more complaints first time can result in significant savings for companies and their consumers through lower bills.

Ofwat also quoted research, since updated⁹⁶, showing that repeat calls are increasingly costly. Ofwat provided what they described as 'conservative' benchmarks for the cost of dealing with complaints at different levels in the water sector, set out in the table below. These figures were quoted in 2010 and have not been updated for this research, so should be taken as conservative estimates of today's costs.

Complaints handling costs (Ofwat, 2010)

Handling and resolving a complaint by phone	£5
Handling and resolving a complaint by letter or email	£20
Handling and resolving an escalated complaint (where more specialist input is often required)	£200
Handling a complaint that is escalated to an external dispute resolution scheme (such as an ombudsman, adjudicator, consumer body) ⁹⁷	£1,400

Just over 21,000 of these (just under 9 per cent of all complaints) were dealt with at (internal) escalated level – consistent with the proportion of escalated complaints found by the NAO, of which 1,418, or 0.06 per cent of the total were investigated by the Consumer Council for Water.

Estimating the cost of energy billing complaints

It is clear from the above that:

- the volume of energy company complaints is high compared with the water sector
- billing issues are certainly the largest single source of complaints, and for some companies are an absolute majority.

Due to the lack of publicly available information, we cannot take a view on whether the cost of dealing with energy complaints is more or less expensive than dealing with water complaints. Given the differences between the sectors, it would be reasonable to assume that the average energy billing complaint is more likely to be more complex than the average water complaint.

⁹⁶ http://www.ascentgroup.com/research/sum_fcr.html

⁹⁷ This figure includes the cost to the external body – Ombudsman Services: Energy in the case of the energy sector – but those costs are in turn passed on to suppliers and, ultimately, consumers, so are included in the calculations.

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It is possible, based on the information above, to give an indication of the cost of complaints in the energy sector:

Number of domestic complaints from six largest energy companies:

5,810,000

(added from the figures above for the year ending September 2014)

Ofgem's complaints report found an average of six contacts per complaint. This suggests a cost of handling closer to £20 than to £5, so this research has assumed a range of between £10 and £15 per complaint.

Estimated cost of 'basic' complaints: range of	£58–£87m
Assumed proportion of complaints relating to billing	50%
Therefore total cost of 'basic' billing complaints	£29–£43m
Assumed number of internally escalated complaints (9% of the total received, in line with Ofwat)	523,000
Cost of internally escalated complaints 523,000 * £200 =	£105m
Of which assumed 50% relate to billing	£52m
Complaints to Ombudsman numbers: (this represents 0.04% of all energy complaints)	26,760
Cost of complaints to Ombudsman @ £1,400 =	£37,464,000
multiplied by 0.82 for proportion reported to be about billing	£30,720,480

Adding these together gives the total cost of billing complaints:

£29–£43m for simplest complaints

£52m for escalated complaints

£30m for Ombudsman complaints

Total annual cost of complaints to energy suppliers = £111–£125m

There is, necessarily, uncertainty around these figures, and the process we have used to estimate costs has been deliberately cautious, although it takes no account of the proportion of complaints that are from non-domestic consumers.

However, even if the real cost of complaints in the energy sector is 25 per cent or even 50 per cent higher or lower than the estimate above, it is still clear that the figure remains relatively small in the context of the energy industry as a whole and in relation to consumers' total costs. For example, the Energy Company Obligation (ECO), after the changes announced by the government in Autumn 2013, is estimated by DECC to cost £1.3bn each year.⁹⁸

It is also worth pointing out that these costs do not take account of:

- either the impact on consumers affected, or of compensation paid to them by suppliers
- the wider impact on competition. While some consumers do change supplier on the basis of customer service, Ofgem's evidence shows that lower income consumers and those in vulnerable situations are much less likely to do so. Perceptions of widespread poor service may, as Ofgem recognised in the Probe discussions above), result in consumers remaining with their supplier because of the perception of the risks of switching. Concern about something going wrong in the switching process was identified as a concern more recently in survey work carried out by GfK for the CMA.⁹⁹

It could be helpful to have a clearer understanding of the full cost of complaints across the energy sector. However, it is arguable that the exact cost is not the main issue – it is clear that the rates of complaints have both risen sharply over time and, at the equivalent of up to 20 per cent of all GB households each year, are at high levels in absolute terms.

However, it is also clear that the costs of complaints are not sufficiently large in absolute terms to drive improvements on a purely commercial basis – if costs were at those levels, there would be evidence of action across the industry to reduce complaints and improve customer service.

⁹⁸ <https://www.gov.uk/government/consultations/the-future-of-the-energy-company-obligation>

⁹⁹ Customer Survey Report, figure 40, available at: <https://www.gov.uk/cma-cases/energy-market-investigation#working-papers>

Complaints and billing migrations

While the rates of complaint vary between energy suppliers and over time, particular problems are associated with ‘migrations’, when individual suppliers move consumers’ details from one IT system to another. Significant numbers of consumers received inaccurate bills, or no bills at all, as a result. The companies that have been affected are:

Supplier	Year
British Gas	2006–2008
EDF Energy	2011–2012
npower	2013–2015
ScottishPower	2014–2015

As shown above, ScottishPower has most recently been affected by this issue, with media coverage highlighting negative impacts on consumers¹⁰⁰ in addition to the observed rise in complaints shown by the company’s own data. Ofgem launched an investigation into the company’s performance and ultimately imposed a 12-day ban on outward sales activity by the company as sanction for problems remaining outstanding.¹⁰¹

The actions and targets Ofgem had specified for ScottishPower illustrate the types of issues that arise during these changes¹⁰²:

- *Significantly improve the speed of answering customer calls by the end of January. It will publish weekly progress reports from the end of November, detailing the call waiting times.*
- *Reduce the number of overdue bills. Today more than 75,000 are late; this must drop to 30,000 by the end of December.*
- *Completely remove the backlog for acting on Ombudsman decisions for individual complaints by the end of November.*

¹⁰⁰ <http://www.theguardian.com/money/2014/oct/11/scottish-power-ombudsman-bills-compensation>

¹⁰¹ <https://www.ofgem.gov.uk/publications-and-updates/scottishpower-accepts-sales-ban-after-failing-ofgem-s-customer-service-target>

¹⁰² <https://www.ofgem.gov.uk/publications-and-updates/scottishpower-must-meet-ofgem%E2%80%99s-customer-service-targets-or-face-sales-ban>

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Similarly, in an August 2014 press release in relation to EDF Energy, for example, Ofgem noted that¹⁰³:

The investigation was prompted following an increase of over 30% in the levels of complaints recorded by EDF Energy during the mass migration stages of introducing a new IT system in 2011. Ofgem found that between May 2011 and January 2012, EDF Energy did not have appropriate procedures in place to properly receive, record and process all customers' complaints in accordance with complaints handling rules.

EDF Energy encountered a number of unexpected technical problems that resulted in many customers experiencing unacceptably high call waiting times with many deciding to hang up before getting through to a customer services operator. When customers did get through, there was evidence of complaints where the supplier had failed to record all the required details for the complaints received. This included the date of receipt, a summary of the complaint and action taken, which could have led to difficulties in tracking progress of consumer complaints. At times when the new systems were down, complaints were not logged until sometime after they were actually received.

EDF Energy paid £3m to support vulnerable consumers as a result of this event.

More recently, Ofgem threatened npower with a temporary ban on telesales, should it fail to meet monthly improvement targets in relation to accurate and timely billing and associated complaints handling. Again, the declining (but still high) levels of complaints received by the company are evident in the data above.¹⁰⁴

¹⁰³ <https://www.ofgem.gov.uk/publications-and-updates/edf-energy-pay-%C2%A33-million-following-ofgem-investigation-companys-complaints-handling-arrangements>

¹⁰⁴ <https://www.ofgem.gov.uk/press-releases/npower-halt-telesales-unless-it-resolves-billing-issues>

6. Trust in the energy sector and billing

The issue of trust and its impact on consumers' willingness to engage in the energy market has been noted as an issue in much of the discussion above. This section provides some headline findings on trust in the energy sector, before looking in more detail at consumers' views of how trust is (or should be) translated into day-to-day delivery by suppliers.

At the highest level, Edelman's annual trust barometer for 2014¹⁰⁵ found that trust in the energy sector was very low, at 32 per cent, when compared with levels of trust in business and industry of 56 per cent. International comparison work as part of the same survey showed that low trust in the energy sector is particularly pronounced in the UK, where those who distrust the sector (54 per cent) outweigh considerably the 32 per cent who trust it. This is close to a mirror image of the international position, where the average across the range of countries surveyed gave a 56/24 per cent balance *in favour* of trusting the energy sector.

Edelman's survey also explored the reasons for lack of trust in the energy sector (in the UK). The Top five reasons reported were:

Increased cost of bills	82 per cent
Levels of profit in the sector	69 per cent
Poor customer service	42 per cent
Limited range of tariffs	38 per cent
Low reliability of service	36 per cent

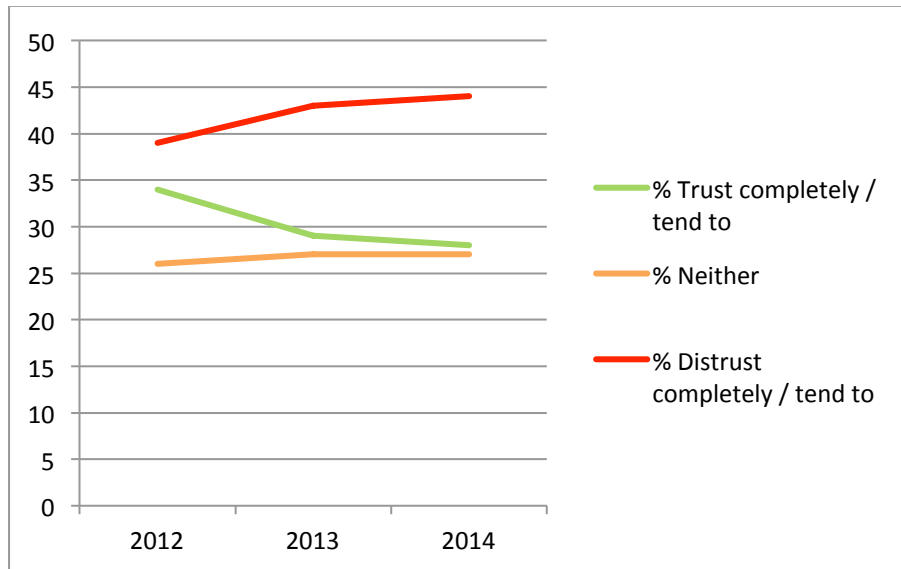
¹⁰⁵ http://www.slideshare.net/Edelman_UK/energy-trust-barometer-2014?related=4 The fieldwork for this survey was undertaken in the autumn of 2013.

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It is also possible to track consumer trust in the energy sector over time. For example, Ipsos MORI carries out an annual survey for Ofgem¹⁰⁶ which has, since 2012, included a question on the extent to which respondents ‘trust or distrust energy suppliers to be open and transparent in their dealings with customers’. The chart below shows the trend data in responses from 2012 to 2014.

Chart 10: Trends in trust in energy suppliers, 2012–2014



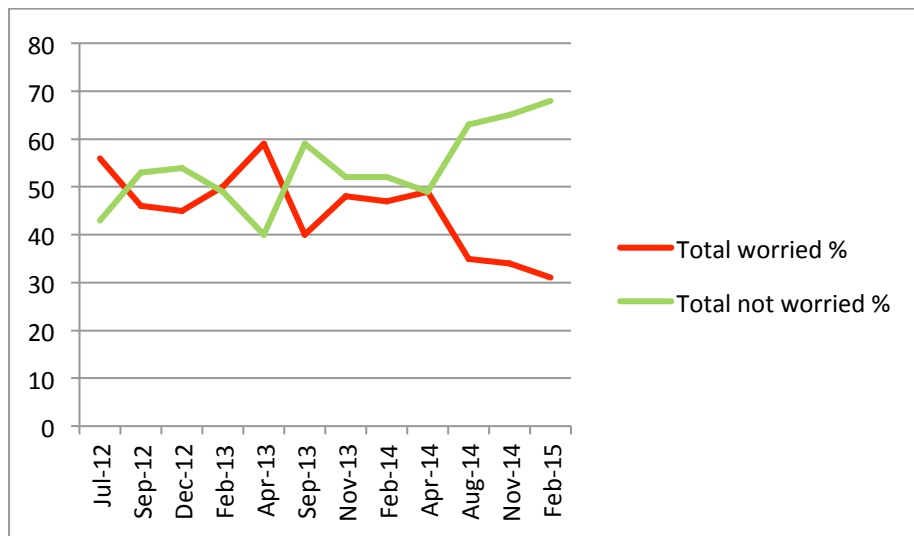
This survey also provides a more detailed breakdown of the headline findings by demographics and level of consumer engagement with the energy market. The latter show that lack of engagement tends to result in greater trust – Ipsos MORI suggests that disengaged consumers are giving the industry the ‘benefit of the doubt’.

In line with this finding, although there is limited spread from the headlines, those under 34 or over 65, BME consumers, those from social grades D and E, and those without internet access are all more likely to trust energy suppliers.

Time series research has also been carried out by DECC, on a quarterly basis, since March 2012. This survey has the advantage that it asks about specific issues, rather than trust in general, and also provides wider context. Not all waves of the research have included questions about trust, but it is possible to show trends from the research that have done so.

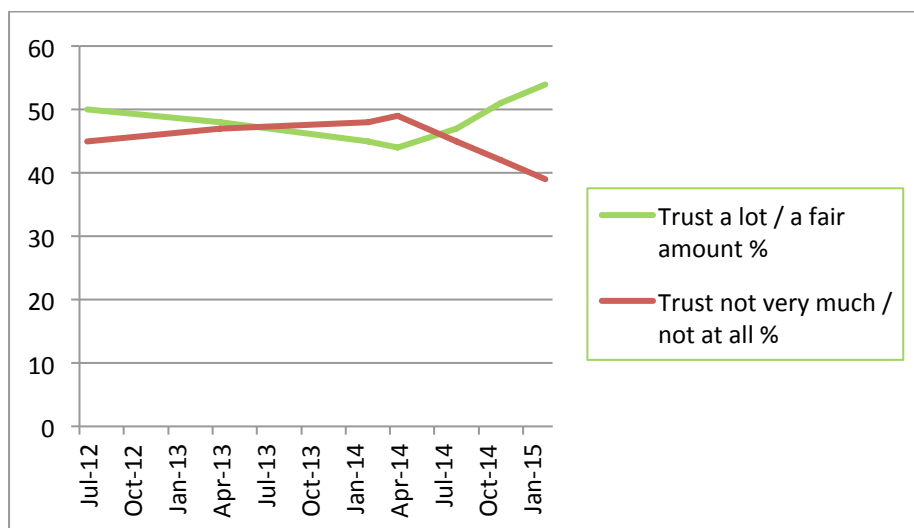
¹⁰⁶ The 2014 survey is available at: <https://www.ofgem.gov.uk/publications-and-updates/customer-engagement-energy-market-tracking-survey-2014>

Chart 11: Concern about energy costs, July 2012–Feb 2015



DECC's survey also notes that concern about other daily costs, as well as energy, also appears to be falling. Levels of trust across a range of issues appear to reflect the trend about concern around costs: it is also notable that the turning points for concern beginning to fall and for trust beginning to rise both occur at around the point where some energy companies froze their prices.

Chart 12: Response to the question 'Do you trust your energy supplier to give customers a fair deal?', July 2012–Feb 2015

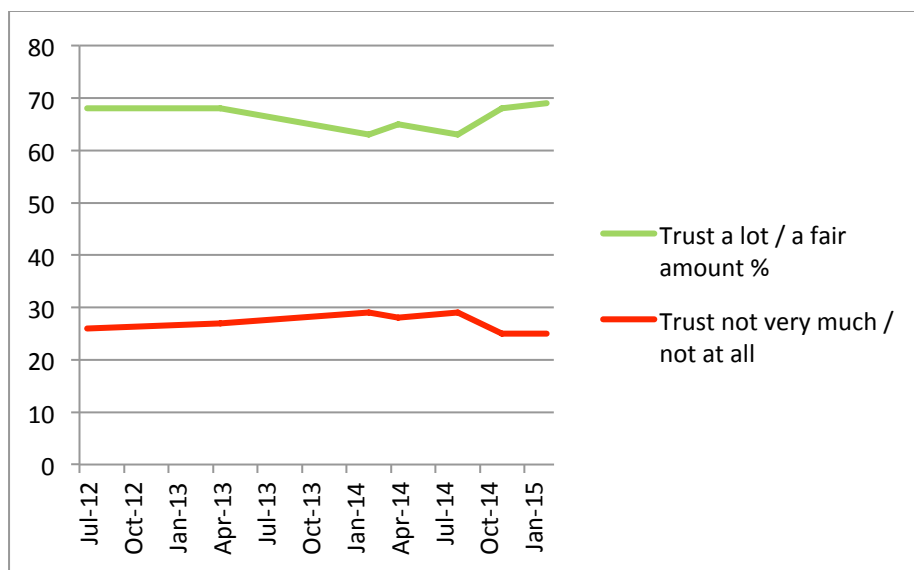


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The survey then explores trust in more specific circumstances; again, the trend seems linked to concern about costs. For example, the chart below focuses on billing accuracy. The impact of wider changes is evident here – there is no evidence to suggest (for example, from complaints data) that there was a substantive improvement in billing accuracy that would have resulted in the trends shown.

Chart 13: Response to ‘Do you trust your supplier to provide you with a bill which accurately reflects your energy costs?’, July 2012–Feb 2015



Qualitative research

Some qualitative work has also been carried out on consumer trust in the energy market and its implications. An overview, which helpfully adds depth to some of the quantitative data reported above, is provided in the 2014 report of Ofgem’s Consumer First Panel.¹⁰⁷ That report emphasizes that many consumers remain apathetic or negative about the energy market, together with “frustration around what Panellists see as ‘excessive’ supplier profits”.

¹⁰⁷ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-consumer-first-panel-year-6-second-workshops-consumer-engagement-and-trust-energy-market-retail-market-review-reforms>

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While recognising that consumer engagement in the market is low as a result, the research notes that:

A variety of factors influence engagement levels. The most important are understanding of tariffs and the market, and satisfaction with the cost of energy.

These factors can drive engagement in different directions. So while high satisfaction with costs and/or a low understanding of tariffs are likely to lead to a continuing lack of engagement, low satisfaction with costs and a high understanding of tariffs are more likely to lead to proactive engagement with the market.

The report provides a summary of much of the information discussed in the quantitative work, linking higher level trust and personal experience:

Personal experience is key... Good interactions, customer service or deals can increase trust, but largely Panellists are likely to distrust their supplier less if they've had no problems with them rather than for any more positive reason.

The line of reasoning is followed through to the impact lack of trust has on consumer engagement:

- *Trust (especially where it relates to consumer confidence in suppliers) can pull energy market engagement in both directions. High trust can act both as a driver to engage (where Panellists perceive that it's easy to switch and they are confident of getting a good deal) and to not engage ('if I trust my supplier to give me a good deal, why do I need to change?').*
- *Similarly, distrust can drive low engagement ('what's the point in switching when they're all looking to rip you off') or higher engagement ('you need to switch to avoid being ripped off by these companies')*

Trust and billing issues

Only limited discursive information is available on the relationship between trust and billing issues.

One piece of more relevant deliberative research was on *Consumer research and collaborative engagement on the proposed Standards of Conduct – Domestic customers*, carried out by Insight Exchange for Ofgem in 2012.¹⁰⁸

Although, as the title suggests, the focus of the research was on the development of the standards (now in place, and covered in Section 5 of this report), the research also provided both an overview of the reasons for lack of trust in the industry, and, in some detail, participants' views of how companies should behave in relation to billing issues.

1.2 Trust and overall perceptions

The overall perception of the energy industry is fairly negative and rarely rises above neutral. The negativity on the whole is less about personal experience as an individual consumer and more as a result of perceptions of excess profits. This is seen as particularly unfair because suppliers are selling an essential service. Where consumers feel that their energy supplier has treated them poorly, this exacerbates their negative feelings over the profit issue. The complexity of tariffs is also a major issue and feeds into a lack of trust in the industry...

Where consumers had engaged in the market, a few reported poor experiences with their new supplier that caused them either to return to their existing supplier or to decide not to switch again. A few also reported difficulties with their old supplier when switching away, which caused them to think that they would be unlikely to switch again unless the cost savings were substantial.

Somewhat more positively:

Overall however, there is a sense that, profit issues aside, energy suppliers' treatment of their customers has improved over the last couple of years or so. This seems to largely be because of the demise of doorstep selling and the positive way suppliers are generally dealing with customers who are in debt. Treating consumers consistently well, however, remains an issue with many reported incidences of treatment being different depending on who consumers speak to and a mix of good and poor experiences from the same supplier.

¹⁰⁸ <https://www.ofgem.gov.uk/publications-and-updates/consumer-research-and-collaborative-engagement-proposed-standards-conduct-domestic-customers-report-insight-exchange>

The subsequent section continues:

1.3 What do consumers want from their energy supplier?

*Consumers do not really know what an excellent or outstanding relationship looks like in the energy sector, as they do not think anyone is currently consistently providing this. They mostly say they just want a good basic service from their energy supplier and hope not to have to contact them. The fact that it is an essential service that they cannot opt out of means that consumers feel that it is particularly important that the basic service provided is **consistently** good. This means having:*

- *Consistent staff behaviour – so that the way consumers are treated is not dependent on who answers the phone or visits their home.*
- *Consistent response – so that the answers consumers are given do not vary and that if they are told something verbally it is not later ignored or denied.*
- *Consistent treatment of all consumers – because it is an essential service that you cannot opt out of, people believe that everyone should be treated in the same way.*
- *Consistency between people and processes – currently there are sometimes good and poor touch points in the same interaction.*

*When they do have to contact their supplier, consumers want to be able to get through quickly without running up an expensive telephone bill. They want to be treated **efficiently**. This means speaking to knowledgeable staff and not having to repeat the details of their issue more than once. It also means suppliers meeting commitments such as timescales for resolutions and calling back when they say they will. Consumers also want to be treated **decently**. This means being treated empathetically, being given the benefit of the doubt and being treated as an individual.*

At the moment the industry is inconsistent in meeting these expectations – there were good and bad experiences reported across all the large suppliers, and overall more were bad than good.

The report then looks in detail at how theoretical values or behaviours might, ideally, translate in different circumstances into the views of consumers:

5.1 Good basics and limited contact

Most consumers do not want, or need, very much from their energy supplier beyond the basics of supply and billing. As long as the gas and electricity works and there is not anything noticeably remiss about their bill then they mostly give the relationship with their supplier little thought. This is particularly true of those who pay by Direct Debit, as they do not need to even actively look at, or do anything, as a result of their bill.

5.2 Clear and simple tariffs

Consumers are calling for fewer tariffs and tariffs that are simple to understand. The current complexity is top of most consumers' concerns about their dealings with the industry. This relates to:

- Difficulties in understanding bills – mostly because of tiered rates and unclear technical language such as kilowatt hour;*
- The sheer number of tariffs that each supplier has, making it difficult to know if you are on the best tariff for you; and*
- The difficulty of making comparisons between tariffs and suppliers.*

Having clear and simple tariffs is important to consumers so that they can:

- Understand what they are paying for;*
- Budget for and reduce usage;*
- Make informed switching decisions.*

The report expands on the final three points above, and relates back to the detailed findings around billing identified in our survey work discussed in Section 4:

What am I paying for?

At a basic level many just want to understand what they are paying for (for example what is a kilowatt hour?). Not understanding this at the moment feeds into their feelings of powerlessness. It makes the relationship between the consumer and their supplier feel like an unequal one.

Budgeting and reducing usage

Some also want to understand what they are paying for so they can budget for their use by working out roughly what their bill will be. Others would like to understand what they are using so they can reduce their usage (for example, the cost of boiling a kettle)

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Switching decisions

Consumers feel that energy suppliers make their tariffs deliberately confusing to deter switching. This makes it hard for consumers to be confident in making a decision about switching or to even know if they are on the best tariff with their existing supplier. This not only causes frustration but.... appears to be one of the main reasons why trust in the industry is so low.

A further example is explored around energy billing:

If you call your energy supplier with a bill query:

Behaving fairly would be....

The supplier offering to look into the issue without making any assumption that the consumer is in the wrong

The supplier giving an apology if they have made a mistake

If it is the consumer's mistake, helping them to sort it out

If it is the supplier's mistake, sorting it out as quickly as possible

Getting the same information and helpful approach whoever you speak to

Suppliers showing understanding of the consumer's personal circumstances but balancing this with ensuring that all consumers are treated in basically the same way.

Giving consumers a decent period of time to pay the money owing if they have mistakenly underpaid.

Behaving honestly would be...

- The supplier acknowledging if they do not know the answer. Then finding out and calling the consumer back*
- The supplier admitting if it is their mistake*
- Offering to give consumers their credit back if they have overpaid*
- Consumers being able to assume that their Direct Debit is set at the correct amount.*

Behaving transparently would be....

- *Having bills that are easy to understand and in simple language so consumers would not need to query them*
- *All suppliers presenting their tariffs and prices in the same way so consumers would find the bills easier to understand and therefore they would be less likely to have a query.*

Behaving appropriately and professionally would be....

- *Addressing consumers by their surname or asking if they mind being called by the first name. Consumers particularly object to staff calling them 'love', 'duck', 'honey' or similar*
- *The person dealing with the consumer to give them their name. Consumers would also like it to be the same person calling them back, though accept that this might not always be possible*
- *The people answering the calls having knowledge about the different tariffs available*
- *If a consumer has made a mistake explaining it to them in a non-patronising, non-threatening, empathetic way*
- *The supplier recognising individual needs such as someone who has English as second language.*

Issues around the impact of poor billing practices on trust are also noted in more recent Ofgem Consumer First Panel research on smart meters¹⁰⁹:

...A few <panellists> had experienced back-billing themselves, and many more recognised it as having happened to friends or family members. These examples – especially more serious ones where the back-bills received amounted to several hundred pounds – generally reinforce negative perceptions of suppliers and cynicism around their profits.

and

The inconsistent way that suppliers deal with back-billing also leads to mixed feelings from consumers. For example, a Panellist reported that a friend had received a back-bill for £700. They had ended up paying this back in instalments but it had a significant impact on household finances. It reduced their trust in the supplier and left them feeling annoyed that the amount had built up over so long without being noticed. (p27)

¹⁰⁹ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-consumer-first-panel-year-6-wave-3-smart-billing>

Discussion

The evidence above shows that the relationship between trust and participation in the energy market is complex. For some consumers, lack of trust is a driver towards engagement, whereas others translate a lack of trust into a lack of willingness to risk engaging in case something goes wrong.

Similarly, there is evidence that groups who are more likely to trust suppliers are also those who are less likely to switch.

However, there seems to be more consistency in the fact that poor customer service undermines trust.

8. Billing changes as a result of the introduction of smart meters

The roll-out of smart meters is being heavily promoted on the basis of the delivery of a range of benefits for consumers¹¹⁰, the majority of which have direct implications for billing.

The Citizens Advice Service supports the introduction of smart meters as a means to help consumers take control of their energy use.

The most significant immediate benefit of smart meters will be the facility for energy suppliers to bill consumers accurately, based on information sent automatically by individual meters. This should end the need for estimated bills.

Smart meters, in combination with IHDs, should also provide near real-time information on energy use and costs in pounds and pence for consumers, in turn helping them to reduce costs.¹¹¹

In the longer term, smart meters will also provide an opportunity for suppliers to develop new, more dynamic energy tariffs. Such tariffs will potentially allow some consumers to reduce their costs directly by using power at times when demand, and therefore prices, are both lower. Peak demand electricity is generally more expensive, as generators typically use their lowest cost sources of electricity first, and will only use more expensive sources to generate at peak times. Therefore, removing the need to generate extra power at these times will help reduce total costs. This change could also benefit all consumers whether or not they use one of the new tariffs, if savings are passed on.

A range of issues relating to billing follow from the above.

¹¹⁰ Benefits are described, in simple terms at: <http://www.smartenergygb.org/what-are-smart-meters/benefits>

¹¹¹ See, for example, summary information at: <https://www.gov.uk/government/policies/helping-households-to-cut-their-energy-bills/supporting-pages/smart-meters>

The most important point is that delivery of the headline benefits – particularly the ending of estimated bills – is conditional on energy suppliers successfully managing the transition from current billing systems to those which will be needed to support smart meters.

Related to this, suppliers will have to ensure that the information on consumers' bills is consistent with that provided by their IHDs. Consumers who are told about or already use an IHD consistently assume that the account balance displayed on their IHD represents what they will be paying.

Many suppliers' IHDs in fact display an estimated cost that cannot factor in all variables such as credits, discounts or debts.

Similarly, it is essential that IHDs display the name of the tariff a consumer is using, matching that used on the consumer's bill. This is especially important for consumers on ToU tariffs, who will need to know their current time band aka evening peak or off peak rate in order to modify their behaviour. If consumers feel that they cannot rely on what their IHD tells them, then faith in the roll-out and the energy-saving benefits will both be at risk.

Issues with billing discussed in this paper, and especially the problems observed in four of the big six energy companies during periods of system migrations, strongly suggest that poor billing practices represent a significant risk to successful roll-out of smart meters.

There will also be billing issues around the introduction of new ToU tariffs. Early experience of new, smart, ToU tariffs is discussed in the recent Citizens Advice report *Take a walk on the demand-side*.¹¹² The report highlights the risks to consumers of introducing such tariffs without due consideration of the support they will need to ensure theoretical advantages are delivered in practice. This is particularly important for two linked reasons, also explored in our more recent publication *Taking Control*¹¹³:

1. A high proportion of the total savings for consumers (£23 for average dual fuel users) expected through the smart meter roll-out is assumed to be delivered through changes in behaviour.
2. Any new ToU tariffs will also result in changes in the information needed on bills, potentially increasing rather than reducing confusion on the part of consumers. It is critical that the

¹¹² http://www.citizensadvice.org.uk/index/policy/policy_publications/take_a_walk_on_the_demand_side.htm

¹¹³ http://www.citizensadvice.org.uk/energy_policy_and_the_potential_for_energy_consumers_to_take_control_of_their_bills

information and presentation of information on bills is considered before these tariffs are introduced.

We also consider that support for disengaged and vulnerable consumers in the smart meter roll-out process will be needed to ensure that smart meters help narrow existing gaps in understanding and engagement rather than widen them.¹¹⁴ Our view is that PPM consumers should receive smart meters early in the roll-out process, since the meters offer the opportunity to improve their experience considerably, for example by¹¹⁵:

- eliminating cost differentials between payment methods and the cost of moving between them
- widening tariff choices for PPM consumers
- extending the range of options for topping up to include doing so by phone, text or online, as well as over the counter
- reducing the time taken for refunds of outstanding credit balances following a switch.

Further, while we recognise the wider benefits that ToU tariffs can bring, we are also aware that such tariffs present their own challenges for consumers in terms of complexity. Issues around consumer engagement with existing ToU tariffs are explored in the 2010 Consumer Focus report *From devotees to the disengaged*¹¹⁶, and show that a substantial minority of consumers using these tariffs gain limited or no benefits from them.

¹¹⁴ http://www.citizensadvice.org.uk/index/policy/policy_publications/er_fuel_water_post_digital_telecoms/developing_an_extra_help_scheme_for_vulnerable_smart_meter_customers.htm

¹¹⁵ <http://www.citizensadvice.org.uk/fpfpp-consumerdemand.pdf>

¹¹⁶ <http://www.consumerfocus.org.uk/publications/from-devotees-to-the-disengaged-a-summary-of-research-into-energy-consumers-experiences-of-time-of-use-tariffs-and-consumer-focus-recommendations>

Recent Smart Energy GB research suggested that some 30 per cent of consumers would consider moving to such a ToU tariff¹¹⁷ and, positively, that interest was similar across all subgroups. However, the proportion of consumers who would not consider switching to that type of tariff was twice as high, and willingness to switch was associated with trust in energy suppliers. Conversely, lack of interest in a ToU tariff (and in smart meters more generally) was associated with concerns about personal data security. As part of this research, we therefore explored practical issues around expectations of smart meters, in terms of both suppliers' current levels of delivery, and through survey work with consumers.¹¹⁸

Information from suppliers

We submitted an informal information request to 26 domestic energy suppliers, asking about their expectations of accurate billing from smart meters. Fourteen suppliers declined to respond on the grounds that they had not yet started their smart meter roll-out, but the responses submitted by the others provide an overview of the current position. Only headline findings can be published for commercial confidentiality reasons, but even these clearly show that:

- installation of smart meters does not automatically mean the end of estimated bills – significant minorities of consumers using smart meters still receive at least some estimated bills from some suppliers
- the reasons for this are a combination of technical issues (coverage of the Wide Area Network, over which smart meter data is sent, ultimately to suppliers), and changes to internal processes required so that the data is used by suppliers to calculate accurate bills.

Many of these issues may be teething problems related to network coverage which will reduce when the Data Communications Company (DCC) is launched in 2016 (the previous launch date was in 2015). However, millions of consumers will have smart meters in their home ahead of the DCC's launch date¹¹⁹ and the DCC will not address any deficiencies in supplier systems. As a result, we are not convinced that billing systems will be sufficiently robust early in the roll-out to ensure

¹¹⁷ <http://www.smartenergygb.org/UCLToUresearch>

¹¹⁸ In addition, many homes already have smart or advanced meters installed during the 'foundation period'. This is one means by which we have gained insight into current customer experience with smart meters.

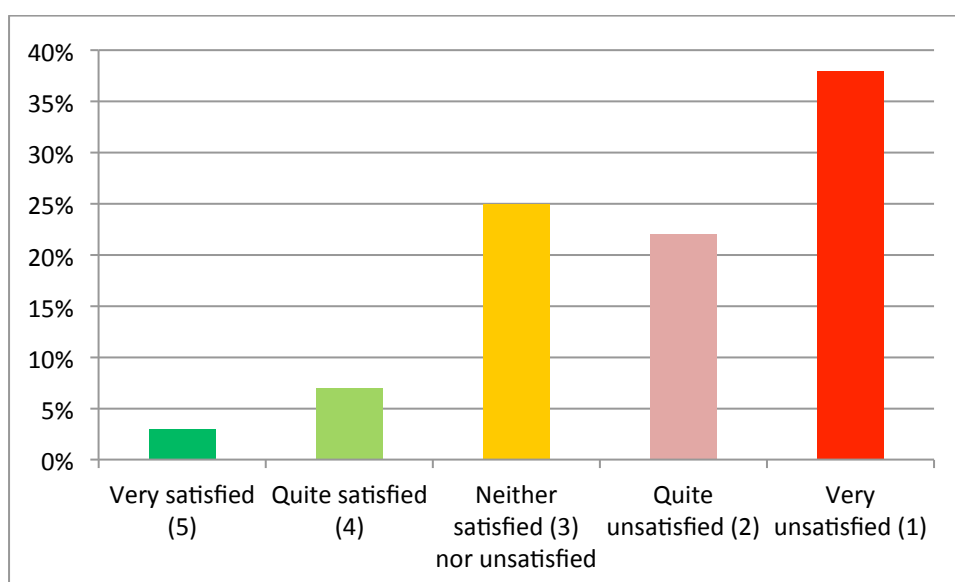
¹¹⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/414017/Smart_Meters_Quarterly_Statistics_Report_Q4_2014_.pdf The report highlights that 764,800 consumers had a smart meter installed in their home by Q4 2014.

that estimated bills are indeed eliminated. There is, therefore, a risk that the delivery of theoretical benefits of smart meters – including more effective market engagement based on more accurate information – is at risk of being undermined.

Consumer views

We explored consumer views of this issue as part of our recent omnibus polling. In addition, Consumer First Panel research published by Ofgem in March 2015¹²⁰ also explored similar issues.

Chart 14: If you had a smart meter installed, how would you feel if you continued to receive estimated bills?



TNS BRMB for Citizens Advice: Face-to-face poll of 2,053 respondents carried out between 30 January and 3 February 2015. Sample size: unweighted 1,428, weighted 1,418.

While a clear majority of consumers would be quite or very dissatisfied in this circumstance, the two groups together still total only 60 per cent. Analysis by subgroup shows that those who are less likely to be concerned about continuing estimated bills are those who are currently less engaged with the market:

- Younger people are less likely to be dissatisfied, at 47 per cent for 16–24 and 53 per cent for 25–34.

¹²⁰ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-consumer-first-panel-year-6-wave-3-smart-billing>

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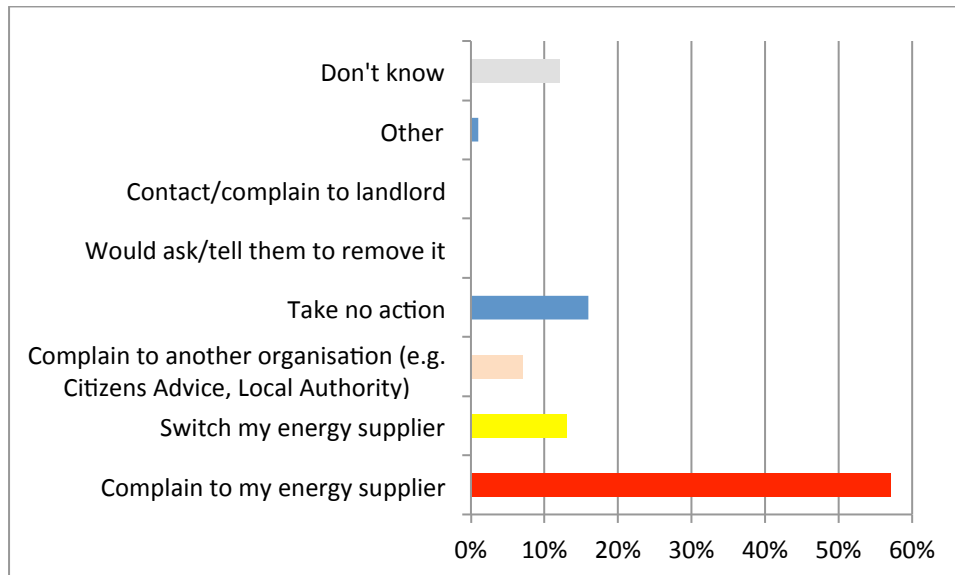
- Dissatisfaction would also be more common among higher socio-economic groups: 72 per cent of AB consumers would be dissatisfied, falling to 50 per cent of DE consumers.
- There is less variation by working status, although those in education or not working would be less likely to be dissatisfied (around 50 per cent).
- Social rented sector consumers would be much less likely to be dissatisfied, at 46 per cent.
- Similarly, lack of internet access is associated with lower rates of dissatisfaction at 47 per cent, the same level reported by BME consumers.

There is considerable variation by payment method for energy bills. Consumers paying by Direct Debit would be more likely than average to be dissatisfied at 65 per cent, while PPM consumers would be much less concerned, with only 43 per cent saying they would be dissatisfied. Although smart meters should bring other benefits to PPM consumers, accurate billing is likely to be less of an issue for that group given their current payment method.

Those who don't trust suppliers would be significantly more likely than average to be dissatisfied, at 73% per cent, and consumers who check their bills regularly would be more likely to be dissatisfied than those who don't.

Our survey followed up this issue, below:

Chart 15: If you had a smart meter installed and continued receiving estimated bills, what action would you take?



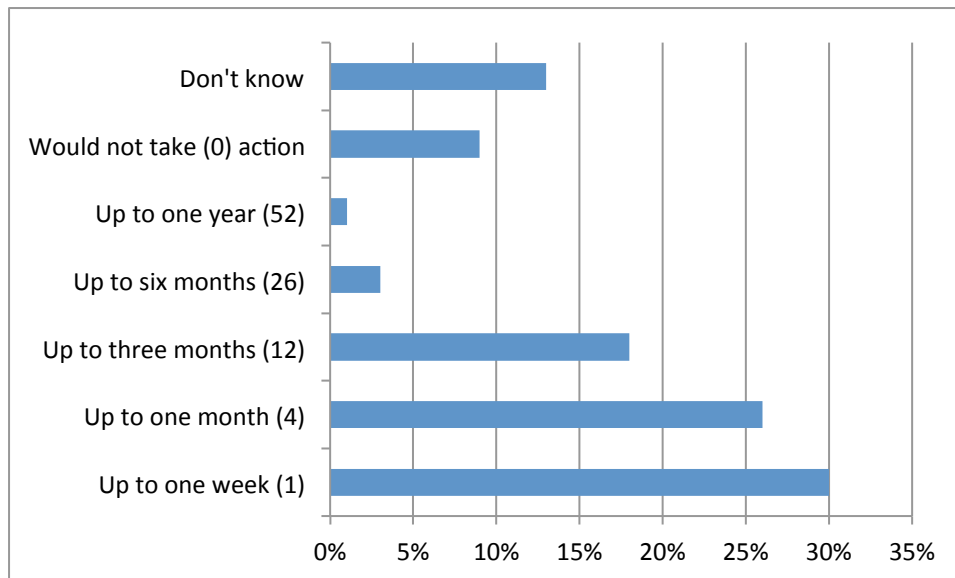
TNS BRMB for Citizens Advice: Face-to-face poll of 2,053 respondents carried out between 30 January and 3 February 2015. Sample size: unweighted 1,428, weighted 1,418.

A similar pattern emerges from a follow-up question on the action consumers would take in the event that they continued to receive estimated bills. While the obvious headline finding is that a majority (57 per cent) would complain to their supplier, subgroup analysis shows that:

- younger consumers are less likely to complain, at 40 per cent of 16–24 year olds and 51 per cent for those aged 25–34. Older groups are more likely to complain than average
- the likelihood of complaining falls across socio-economic groups, from 66 per cent of A and B's saying they would complain to 48 per cent of D and E's
- mortgaged home owners are more likely to complain, but social rented sector tenants less likely, than average
- a higher proportion of those with internet access would complain, at 60 per cent compared with 43 per cent of those without it
- PPM consumers are less likely to complain.

The next questions on this topic explored the length of time consumers would be prepared to accept estimated bills before acting.

Chart 16: How long would you accept receipt of estimated bills before taking action? (weeks)



TNS BRMB for Citizens Advice: Face-to-face poll of 2,053 respondents carried out between 30 January and 3 February 2015. Sample size: unweighted 1,428, weighted 1,418.

In total, over 70 per cent of consumers said they would take action within 3 months/12 weeks – higher than the 60 per cent who reported in the previous question that they would be dissatisfied in the event that this happened.

This issue was also explored in Ofgem’s Consumer First Panel research¹²¹:

Most Panellists think that issues should be resolved within three to six months of their smart meter being installed. After this point, their tolerance would decrease fairly rapidly, and they may begin to expect compensation if issues are ongoing. All Panellists thought there should be no issues a year after installation, while a minority would not tolerate any issues at all.

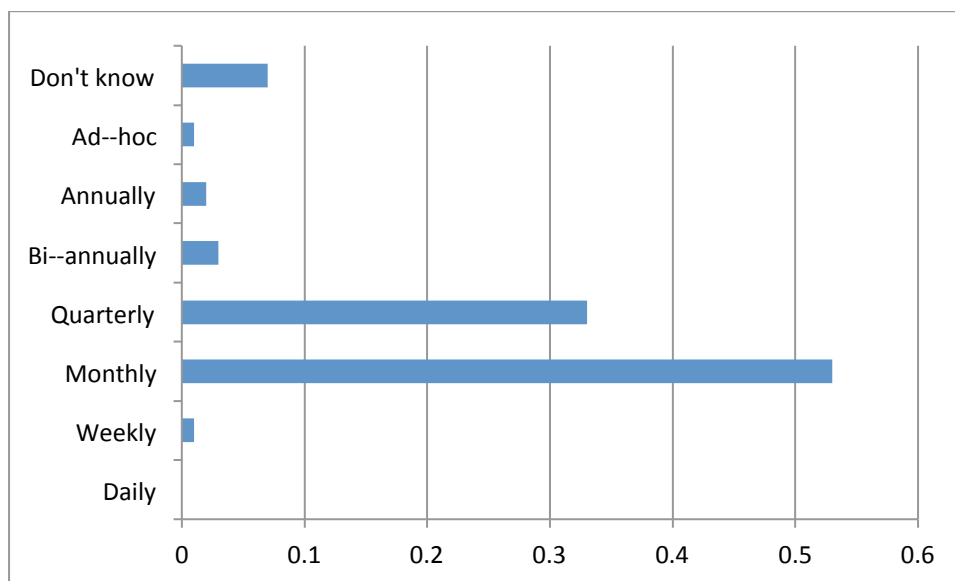
¹²¹ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-consumer-first-panel-year-6-wave-3-smart-billing>

Consumers stated that suppliers should:

- *Resolve the issue as quickly as possible after noticing it: most Panellists think around one month is an acceptable timescale for this. They may also expect compensation if an issue affects them adversely.*
- *Keep them informed about how/why the issue occurred and what they are doing to resolve it.*
- *Provide an accurate bill or update once the issue is resolved, or for the next billing point.*

The final question asked consumers, who currently pay by Direct Debit, to express a preference for the frequency with which they might receive a bill, given that smart meters should provide this flexibility.

Chart 17: Smart meters should allow you more flexibility on how often you are billed. If given the choice, how often would you want to receive a bill?



TNS BRMB for Citizens Advice: Face-to-face poll of 2,053 respondents carried out between 30 January and 3 February 2015. Sample size: unweighted 913, weighted 961.

A clear preference – a little over half of all consumers paying by Direct Debit – would prefer monthly bills given the choice, with a further third preferring quarterly bills. There is some differentiation by age in the above:

- Those up to age 54 would strongly prefer monthly bills (also preferred by those who are working, those with mortgages and those renting privately).
- There is also a big gap for monthly preference between those with internet access, at 57 per cent compared with 31 per cent for those without.
- Higher levels of trust in billing accuracy and timeliness are associated with preference for quarterly bills, whereas decreasing levels of trust are associated more with preference for monthly bills.
- Outright owners and social rented both prefer (somewhat) quarterly bills.

As above, Ofgem's Consumer First Panel research¹²² is consistent with our omnibus findings. The panel research confirms that, for the majority of consumers, having incomes and outgoings running on similar timescales is, not surprisingly, seen as the best arrangement.

Back-billing and smart meters

Reflecting panellists' concerns, Ofgem's research also goes into some detail on consumer expectations of improvements to back-billing after the roll-out of smart meters:

Overall, tolerance for back-billing is reduced in a smart meter world. Nearly all Panellists feel that with smart meter technology, back-billing should never happen.

Acceptable timeframes

If their smart meter sends accurate meter readings to their supplier on a regular basis, Panellists think that the supplier ought to know if there is an issue with the technology or if they are falling behind on payments very quickly. Most Panellists therefore think that three months is an acceptable

¹²² <https://www.ofgem.gov.uk/publications-and-updates/ofgem-consumer-first-panel-year-6-wave-3-smart-billing>

timeframe for back-billing in a smart meter world. A small number of Panellists feel that six months would be acceptable. A few believe a supplier should notice an issue that would require back-billing within a month and that any unbilled usage before that should therefore be waived. (p29)

The research also considered issues around the process of back-billing. Echoing the discussion earlier in this report (see pages xi–xii), the report notes that consumers expect high standards of service from suppliers now as well as improvements after smart meters are rolled out:

Panellists expect their supplier to inform them about a mistake or issue that could lead to a back-bill as soon as they notice it. They then want to be able to discuss options for repayment. The tone of this conversation is crucial – Panellists want their supplier to recognise where they aren't to blame for the issue. Where the cause of the back-bill is supplier or meter error, Panellists want their supplier to demonstrate empathy and flexibility around repayment.

Empathy should include an apology for the error and an element of compensation (especially for bigger sums). Panellists reference other sectors (e.g. phone and telecoms) where service providers will at the very least make a token gesture to reduce or waive small outstanding balances, especially for loyal customers. For larger back-bills, Panellists feel this is even more important. If the timeframe for back-bills was three months Panellists would expect the size of the payment required to be smaller. They would also expect that discounts or proportionate repayment should be standard.

Repayment options should be flexible. Panellists would expect to be able to choose how they want to make repayments. Formats should include:

- Lump sums.
- Instalments.
- Increased Direct Debits.

Panellists also think they should be given plenty of time to make the full repayment. The larger the sum involved, the longer the timeframe Panellists would expect to be able to pay back over. This duration should also reflect the usual sum that Panellists pay for their energy. Given that household finances are often carefully balanced to break even each month, Panellists felt that an increase of even a few extra pounds per month to pay for a back-bill could make a big difference to less affluent families.

For Panellists, these principles do not just apply in a smart meter world. Many would want them applied now, and a couple have had better experiences with suppliers applying them. While the timeframes in which they expect suppliers to notice a need for a back-bill may be shorter in a smart billing world, the supplier behaviours and options presented to consumers to resolve the back-bill should be universal. (pp29–30)

Discussion

The two main, immediate benefits of smart meters are consistently emphasised as being an end to estimated bills and the availability of near real-time accurate information on energy use and costs. Longer term, industry-wide benefits from moves to ToU tariffs will also depend on accurate information about differing costs of energy at different times, and take-up of such tariffs is to some extent dependent on levels of trust in energy suppliers. The introduction of new data-driven services for consumers could provide further benefits, but this could be at risk if suppliers are able to act as gatekeepers of the consumer data.

Though not a universal view, both our own and Ofgem research shows that a clear majority of consumers would welcome the end to estimated bills promised by the roll-out of smart meters, and would be dissatisfied if they continued to receive estimated bills for any length of time after their introduction. However, information from suppliers suggests that these expectations will be met only if improvements to billing as well as technical systems are delivered.

The Citizens Advice Service is therefore calling on Ofgem to introduce additional protection for consumers from poor billing practice by limiting back billing for consumption on a smart meter to a single billing cycle. We consider this is necessary for two reasons; the current voluntary code on billing is inadequate in its coverage of the market (only five of the six largest suppliers, and no small suppliers, are full signatories) and has been and continues to be subject to periodic misinterpretation. Suppliers should be required to:

- keep consumers with a smart meter informed when bills are not accurate, and take all reasonable steps to provide accurate bills by other means
- not back-bill consumers for more than one billing cycle after a smart meter is installed
- compensate consumers with a smart meter who do not receive regular accurate bills

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- provide consumers with opening and closing bills in a timely manner.

We think that these additional protections could improve confidence and engagement in the market. By demonstrating that smart metering will deliver improved quality of service and stronger protections, they could help to drive the uptake of smart meters resulting in the benefits being felt quicker, and by a wider tranche of society, than may otherwise be the case.

Extra Help Scheme

It is also essential that households in need of additional help and support throughout the roll-out are identified and assisted. In our report on Smart Meter Extra Help¹²³ we have identified the success criteria as:

Consumers in vulnerable situations: benefit from the smart meter roll-out, feel safe during the installation, with condemned appliances replaced for those most in need; get help with their bills, from reliable advice on cutting energy through changes in use or tariff through to the installation of measures; and get the financial assistance with their bills and energy efficiency services that they are entitled to. This is achieved with little to no impact on others' bills, because of economies of scale, through the dovetailing of smart meter and energy efficiency programmes, the application of data-matching to identify those in need, and the limiting of reputational risks to programme delivery.

¹²³http://www.citizensadvice.org.uk/index/policy/policy_publications/er_fuel_water_post_digital_telecoms/developing_an_extra_help_scheme_for_vulnerable_smart_meter_customers.htm

9. Summary and recommendations

In 2005, the energywatch super-complaint put forward the proposition that inaccurate billing was occurring, systematically harming consumers in two ways:

1. The first and most obvious impact identified was on consumers directly affected by billing issues. As a minimum, consumers could face disruption to household finances as estimated bills were corrected. In the most severe cases, recovery of energy debt could involve fitting a prepayment meter, with the associated increase in costs and less choice of tariffs for the consumers affected.
2. The second wider impact identified was that poor practice was also contributing towards the low levels of trust apparent in the sector: if companies could not bill accurately, consumers would be less likely to risk switching or to trust wider messages from the industry or from government.

This aim of this research was to investigate how the 2005 position has changed, taking account of the many and significant developments in the energy sector since that time. Our findings are summarised below.

Ofgem's response to the super-complaint was that, while individual problems did exist, they were the exception rather than the rule and could be addressed by a combination of improved supplier performance, together with some substantive changes, most notably limits on back-billing and the introduction of the Energy Ombudsman (now known as Ombudsman Services: Energy). While these actions, respectively, limited the impact on consumers and improved mechanisms for them to achieve redress, Ofgem did not take actions to prevent further problems arising.

The existence of the second impact, although initially questioned in the response to the super-complaint, was subsequently recognised by Ofgem during the Probe process. As a result of the Probe, and of the subsequent RMR, Ofgem introduced a number of changes to energy

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bills, and separately require the production of an annual statement for all energy consumers.

Individual changes to bills have helped clarify the information available to energy consumers and were welcomed by consumer bodies as a result. However, a wider impact of the changes in aggregate has been that the range and depth of information required in energy bills has increased considerably, meaning that bills themselves are now much longer than they were in the past.

A central aim of Ofgem's changes was to improve information available for energy consumers in order to encourage greater participation in the market. This has not occurred in practice; switching rates between suppliers have generally declined, with an exceptional spike in late 2013 when media and political interest in energy issues was very high. There is some evidence of increasing numbers of consumers changing tariff with their existing supplier, although there are also indications that this action is more common among consumers who are already engaged in the market.

There have been wider changes in energy use since the 2005 super-complaint – most notably a rise in energy costs considerably above inflation, but also changes in consumption patterns and payment methods. Rising prices, in particular, influence consumers' reported levels of trust in the sector, and it is also reasonable to expect consumer complaints to rise with prices.

At the same time, new voluntary codes of practice have been introduced by the suppliers themselves, and Ofgem has also introduced Standards of Conduct, based on consumer research, to which companies are expected to adhere.

Smart meters will be rolled out from 2015 through to 2020; the central benefits for consumers are promoted as the end to estimated bills and clearer, near real-time information on energy use and costs in pounds and pence. Delivery of these benefits, however, is conditional on billing systems as well as on the technical challenges that are already recognised.

However, the level of complaints reported by energy suppliers themselves since the start of 2013 has been consistently at up to 20 per cent of all domestic households annually. The CMA also notes that complaints have increased by a factor of five since 2007. This research has conservatively estimated that billing complaints handling alone costs energy companies in the order of £111–£125m each year.

Although detailed demographic data on the impact of billing problems is limited¹²⁴, that which is available strongly suggests that consumers who are already disadvantaged in other ways – for example, because of income or poor literacy or numeracy skills – are also those most likely to be disadvantaged by poor billing practices.

Further, while the introduction of smart meters aims to bring benefits to consumers through removing the need for estimated bills or physical meter readings, there is evidence to suggest that more attention is needed to billing practices to ensure that the promised benefits of smart meters – the end to estimated bills in the short term, as well as access to new dynamic tariffs in the longer term – are delivered in practice. Recent experience of migration of billing systems among four of the big six suppliers creates particular concerns in this respect.

Recommendations

1. Complaints handling

Findings

Ten years after the energywatch super-complaint, it is clear that complaints about energy billing and associated processes remain the largest single source of complaints, and, for at least some companies, constitute more than half of all complaints. While the pattern has varied between different suppliers since the start of 2013, when the data was first published, overall complaint levels across the industry have not changed significantly.

Further, it seems from the information available on the detail of complaints that the individual complaints are – as was the case in 2005 – the result of companies failing to meet the standards in the Energy UK Code of Practice for Accurate Bills. Complaints are not the result of the standards themselves being unclear.

This research has found that up to 20 per cent of all GB households register a complaint against their energy supplier each year. Further, we have estimated the annual cost to suppliers of handling billing complaints alone –conservatively – at £111–125m each year. As highlighted by energywatch in 2005, complaints at these levels suggest systemic failings.

We accept that the assumptions may mean these figures may be somewhat greater or lesser than the real number. We also accept that

¹²⁴ The main source of this information is Ofgem's report on energy company complaints handling, discussed in Section 5 above: <https://www.ofgem.gov.uk/publications-and-updates/complaints-energy-companies-research-report-2014>

both Ofgem data and our own experience show that there are significant differences in company performance in relation to complaints and customer service.

However, from the perspective of consumers, the exact financial costs are not the critical issue. While significant amount in absolute terms, the figures are relatively small in comparison with the energy sector as a whole, and the trend data on complaints demonstrates clearly that neither the commercial cost of complaints handling nor any associated reputational risk are providing sufficient commercial incentive for companies to take action.

Recommendation

Ofgem should, firstly, understand why the competitive and regulatory pressures within the supply licence have not delivered a reduction in billing complaints. It should also seek to establish the scale of the detriment to consumers. The introduction of an ombudsman function was a key outcome of the super-complaint and Ofgem's review should further examine the impact the redress backstop has had on driving improvements in supplier performance. Dependent on the findings of the review, possible next steps could lead to the introduction of sharper incentives on suppliers to ensure measurable improvements in billing performance and the associated customer service performance are delivered.

2. Bill simplification

Individually, many of the changes to bills introduced as a result of Ofgem's Energy Supply Probe and subsequent Retail Market Review were welcomed by consumer representative groups. Indeed, it was surprising to many that some changes – such as requiring suppliers to give the name of consumers' current tariff – required regulation in the first place, given the essential nature of this information.

However, in aggregate, changes have resulted in both increasing complexity and increasing volume of information on bills, without any observable gains in consumer engagement as measured by switching rates.

It therefore seems appropriate to revisit the range and presentation of information to consumers. In particular, we consider that there are cases both for bill simplification and for greater differentiation between bills and annual statements.

Recommendation

Ofgem, in collaboration with CBCRG, created by Ofgem to advise it, should develop and conduct a research programme to investigate consumer views on the range and presentation of information in bills and annual statements. Specifically, research should draw on and extend previous work carried out as part of the Probe and RMR, and could start from the position of asking consumers what information they *want* presented at different times and in different formats. Research should also be open to the idea that different groups of consumers may want different balance of content, given research findings on the extent to which consumers access digital as opposed to print information.

3. Smart meters

Findings

The Citizens Advice Service believes that the introduction of smart meters presents opportunities to bring significant benefits to consumers, including the increasing proportion of consumers who use prepayment meters.

However, the delivery in practice of the central and immediate benefits on which smart meters are being marketed to consumers – elimination of estimated bills and provision of real-time information on energy use and costs in pounds and pence – depend absolutely on robust energy supplier billing systems and processes.

This research has shown that billing systems and processes are, clearly, very far from meeting this standard at present. We consider that there is a significant risk that poor or poorly integrated billing systems may undermine consumers' views of smart meters, and by extension make the roll-out more difficult, more expensive and less comprehensive than might otherwise be the case.

Recommendation

Consumers using smart meters should be given additional protection from poor billing practices. In line with the benefits of smart metering, the best way to achieve this – and to provide further incentives to companies to get the process right and ensure accuracy – is to limit back-billing to a single billing cycle for consumers who have had smart meters installed. Ofgem’s own research¹²⁵ shows that poor back-billing practices are a significant concern for consumers. Correspondingly, the same research shows that elimination of estimated bills, which leads to a significant improvement in back-billing, is currently seen by consumers as the single biggest benefit of smart meter roll-out.

¹²⁵ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-consumer-first-panel-year-6-wave-3-smart-billing>

Appendix: Content requirements on energy bills

	Detail	Description	Regulation
1	Amount of energy used	Amount of electricity or gas used since the customer was last informed, either according to a meter reading or based on an estimate where no meter reading available	Energy UK Code of Practice for Accurate Billing
2	Information about amount of gas supplied	Inform customer how amount of gas supplied is calculated from the quantity of gas supplied and details of any adjustment made in relation to a Temperature and Pressure Conversion factor.	Gas Supply Licence (SLC 31.4)
3	Comparative Consumption Information	Provide a comparison of customer's consumption in the current bill period, with the consumption in the same time period in the previous year, preferably in graphical form (provided a customer for longer than 12 months)	EU Directive - Electricity Supply Licence / Gas Supply Licence (SLC31A2a)
4	Cheapest Tariff Messaging (CTM)	<ul style="list-style-type: none"> a. On page 1 b. Box with exact title "Could you pay less?" c. Include text at least in font size 10 d. Text of equal size and prominence unless a heading e. Personal Projection (Estimated Annual Costs) f. Explanation of what is included in Personal Projection g. Exact Tariff Name of Relevant (narrow) Cheapest Tariff h. Estimated Annual Savings for Relevant Cheapest tariff i. Exact Tariff Name of Alternative (wide) Cheapest Tariff j. Estimated Annual Savings of Alternative Cheapest Tariff k. Switching reminder with exact text "Remember – it might be worth thinking about switching your tariff or supplier". l. Separate for electricity and gas if a dual fuel bill 	RMR - Electricity Supply Licence / Gas Supply Licence (SLC31A.2(d), 31A.2(e), Schedule 1 to 31A)

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5	Tariff Summary Box	<ul style="list-style-type: none">a. On page 2b. Box with exact title “About your tariff”c. Include text at least in font size 10d. Text of equal size and prominence unless a headinge. Vertical list in this orderf. A statement explaining that the “About your tariff” label provides information about the customer’s current tariff to help them compare it with other available tariffs.g. Exact Tariff Name (of customer’s tariff)h. Exact Payment Method (which applies to the customer)i. End date if there is one. If no end date then say so.j. Exit fee (in £) if there is one. If no exit fee then say so.k. Say what an exit fee is.l. The customer’s Annual Consumption Details, and stating whether based on last 12 months consumption or an estimatem. Separate for gas and electricity if a dual fuel bill	RMR - Electricity Supply Licence / Gas Supply Licence (SLC31A.2(b), 31A.2(c), 31A.2(h), 31A.2(k), Schedule 2 to 31A)
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6	Tariff Comparison Rate (TCR)	<ul style="list-style-type: none"> a. Any page on bill b. Label with title with exact text “About your TCR” c. Include text at least in font size 10 d. Text of equal size and prominence unless a heading e. TCR which applies to the customer f. A statement designed to promote the benefits of the TCR which explains that it can be used as a guide to compare the price of tariffs g. A statement to the effect that the TCR is based on a typical user h. A statement that the TCR is not based on the customer’s personal consumption and should be used as a guide only i. A statement that the customer can phone or visit the supplier’s website for more details on their tariff and how TCRs are calculated. j. Separate for gas and electricity if a dual fuel bill 	RMR - Electricity Supply Licence / Gas Supply Licence (SLC31A.2(f), Schedule 2 to 31A)
7	Meter Point Administration Number (MPAN) –	Applies to electricity – Must be printed at top right or at foot of bill. Must be printed in specified format and in appropriate size and colour.	Electricity Supply Licence (SLC 20.4) and Master Registration Agreement (MRA)
8	Meter Point Reference Number (MPRN) –	Applies to gas	Gas Supply Licence
9	Relevant Distributor (including for reporting safety issues)	Inform customers of the current postal address and telephone number of distributor to report safety issues	Electricity Supply Licence (SLC 20.1)

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10	Information about Citizens Advice Consumer Service (CS)	Inform customers that CS can assist in providing information and advice to consumers and how to contact Citizens Advice and Citizens Advice Scotland.	Electricity Supply Licence / Gas Supply Licence (SLC31.1)
11	Information on dispute settlement	Provide information to customers concerning their rights in relation to dispute settlement in the event of a dispute with the supplier.	EU Third Package – Electricity Supply Licence / Gas Supply Licence (SLC 20.5)
12	Consumer Checklist -	Tell consumer how the Energy Consumer Guidance and Concise Guidance can be accessed	EU Third Package - Electricity Supply Licence / Gas Supply Licence (SLC 31.6)
13	Gas Emergency Number	Inform customers that escape of gas should be reported immediately and of a telephone number for that purpose	Gas Supply Licence (SLC 20.1)
14	Rota Disconnection	Publication of Block disconnection code on customer bills	Industry change (DCUSA)

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15	Green Deal (if applicable)	<p>a. Specify relevant Green Deal Charge in conjunction with Unique Identifier on same page where electricity charges are laid out</p> <p>b. Specify aggregate Green Deal Charge in conjunction with Unique Identifier on same page where electricity charges are laid out</p> <p>c. Notify that Green Deal Bill Payer, on the same side of the page where the Green Deal Charge is specified, that he or she is liable to pay Green Deal Charges and that financial savings on consumption from gas or other fuel sources may arise under bills for those sources</p> <p>d. For dual fuel Green Deal accounts specify the Charges for the Supply of Gas on the same side of the page where the Charges for the Supply of Electricity are specified.</p> <p>e. Details of where that Green Deal Bill Payer can find impartial advice and information about his or her Green Deal Plan(s) (and such details shall include a telephone number and website address for the provider of such impartial advice).</p>	Electricity Supply Licence (SLC 37.2)
16	Citizens Advice Consumer Service Signposting	<p>Use 'Know Your Rights' link</p> <p>Ombudsman Services: Energy should be described as free, independent, investigates complaints if no resolution after 8 weeks and the decision is binding for the supplier</p>	Voluntary requirement
17	Ombudsman Services: Energy Signposting	<p>Provide more information on deadlocking, expected complaint resolution time and type of redress available from the supplier (including Guaranteed Service Standards compensation and financial awards from the Ombudsman)</p> <p>State that the Ombudsman's decision is legally binding on suppliers, but not on consumers</p>	Voluntary requirement

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18	Complaints	Suppliers must comply with its own complaints handling procedure. NB: there is nothing specific about what needs to be included on the bill, this just makes reference to every 12 month period	The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 (4.2)
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